

# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

## **UniFavorite: Equity**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

#### • Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

#### • Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied for pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied for pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

- vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.
- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
  - Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
  - Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
  - Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
  - Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
  - The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

**This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.**

## The Investment Fund, launch date and duration

The investment fund UniFavorite: Equity was launched on 1 November 2005 for an indefinite period. Multiple unit classes currently exist. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

## Unit classes

The Investment Fund comprises different unit classes, i.e. the issued units certify different rights depending on the class to which they belong. The following unit classes currently exist:

UniFavorite: Equitiy (WKN/ISIN: 847707/DE0008477076), denominated in EUR

UniFavorite: Equity -net- (WKN/ISIN: 800751/DE0008007519), denominated in EUR

UniFavorite: Equity I (WKN/ISIN: A0M80M/DE000A0M80M2), denominated in EUR

UniFavorite: Equity I GBP (WKN/ISIN: A1C81F / DE000A1C81F3), denominated in GBP

These unit classes differ in their minimum investment amounts and, currently, also in their initial sales charges, management fees, the currency of the unit value and appropriation of income.

Due to these differences, the financial results achieved by the investor with their investment in the Investment Fund may vary, depending on the unit class of the units acquired. This applies to both pre-tax and post-tax returns achieved by the investor.

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

Units of the unit class UniFavorite: Equity I GBP may not be held in a bank custody account of UnionDepot of Union Investment Service Bank AG.

## Depository

The following credit institution has taken on the role of depository for the Fund:

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

Paid-up share capital:  
EUR 649 million

Liability equity capital:  
EUR 2.363 billion

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the deposit, credit, monetary and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

Assets are held in custody for the account of the Fund by Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

According to information from the depository, there are no conflicts of interest.

## Contact office

The contact offices for professional investors (natural persons and legal entities) as well as institutional investors in the unit classes UniFavorite: Equity I and UniFavorite: Equity I GBP described in this sales prospectus is Union Investment Institutional GmbH (phone: +49 69 2567-7652; Fax: +49 69 2567 2570; E-Mail: institutional@union-investment.de; Homepage: institutional.union-investment.de).

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

**Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.**

## Specific risk information regarding the Fund

**Greater price fluctuations and risks of loss are possible when investing in emerging/developing countries.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is best suited to investors who are prepared to take risks and interested in capitalising on the opportunities offered by investing in international units and in accepting a high degree of risk. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept a high level of risk.

The various recommendations published within the framework of the KIID for unit classes "UniFavorite: Equity" and "UniFavorite: Equity -net-" were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1-3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1-3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% MSCI World.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

### Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

### Marketing and minimum investment

The unit classes UniFavorite: Equity I and UniFavorite: Equity I GBP are designed for distribution to professional investors (natural and legal persons), particularly institutional ones.

The minimum investment in units of the unit class UniFavorite: Equity I amounts to, in principle, EUR 100,000.00 with the Company being authorised, at its sole discretion, to also accept lower amounts.

The minimum investment in units of the unit class UniFavorite: Equity I GBP amounts to, in principle, EUR 100,000.00 with the Company being authorised, at its sole discretion, to also accept lower amounts.

The minimum investment in units of the unit class "UniFavorite: Equity -net-" is EUR 10.00.

No minimum investment amount has been set for the unit class "UniFavorite: Equity".

### Initial sales charge and issue costs

When determining the issue price, an initial sales charge of up to 5% may be added to the relevant unit value of a unit class.

If an initial sales charge is calculated, this may reduce or even completely offset the performance of the Fund, particularly during short investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund/unit classes. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

The current initial sales charges are as follows:

5.0% for unit class "UniFavorite: Equity"

0% for unit classes "UniFavorite: Equity -net-", "UniFavorite: Equity I" and "UniFavorite: Equity I GBP"

For unit classes "UniFavorite: Equity -net-", "UniFavorite: Equity I" and "UniFavorite: Equity I GBP" the issue price is currently the redemption price. An initial sales charge is not currently applied to these unit classes. The issue and sales costs are covered by the Company from the management fees to which it is entitled.

### Redemption fee

No redemption fees are charged for unit classes "UniFavorite: Equity", "UniFavorite: Equity -net-" and "UniFavorite: Equity I" and "UniFavorite: Equity I GBP".

### Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.55% of the asset value calculated on each trading day.

The following management fee is currently charged for the issued unit classes:

Unit class "UniFavorite: Equity":	1.2%
Unit class "UniFavorite: Equity -net-":	1.55%
Unit class "UniFavorite: Equity I":	0.7%
Unit class "UniFavorite: Equity I GBP":	0.7%

of the asset value determined on each trading day.

For unit class "UniFavorite: Equity", an unchanged management fee of 1.2% has been charged since 2 January 2008.

For unit class "UniFavorite: Equity -net-", an unchanged management fee of 1.55% has been charged since 2 January 2008.

For unit class "UniFavorite: Equity I", an unchanged management fee of 0.7% has been charged since 1 July 2008.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may amount to an annual total of up to 2.15% of the net asset value, as determined on each trading day.

Performance fee:

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (out-performance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. According to the calculation for positive benchmark deviation, the negative sum per unit value is

calculated based on the agreed maximum and carried forward to the next settlement period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. A remaining negative sum per unit value is carried forward again into the new settlement period. If a negative benchmark deviation occurs again at the end of the next settlement period, then the sum calculated from this negative benchmark is added to the available negative sum carried forward. The calculation of the fee due takes into account the negative sums carried forward from the past five settlement periods.

b) Definition of a settlement period

The first settlement period starts on 1 July 2013 and ends on 30 September 2014. The subsequent settlement periods start on 1 October of each year and end on 30 September of the following calendar year.

c) Benchmark

The benchmark applied is the MSCI Index World ("developed markets", weighting by market capitalisation, "total return with net dividends", based on euros).

d) Performance calculation

The performance fee is determined in the settlement period by comparing the performance of the benchmark with the unit performance, calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating investment fund performance. This enables a simple, comprehensible and precise calculation. Here, the performance is expressed as the percentage of change between the capital invested at the beginning of the investment period and its value at the end of the investment period. The calculations reinvest all dividends back into new units in the Fund in order to ensure comparability between the performance figures of distributing and accumulating funds.

The fees charged to the investment fund should not be deducted from the benchmark performance before the comparison. According to the results of a daily comparison, an applicable performance fee is retained in the investment fund. If the unit performance falls below the benchmark during the settlement period, then any performance fee accrued thus far in the settlement period in question is cancelled according to the daily comparison. The existing, accrued performance fee can be withdrawn at the end of the settlement period. In the event that the benchmark is unavailable, then the Company shall designate another appropriate benchmark to serve in its stead.

e) Negative unit performance

The performance fee can also be withdrawn if the unit value at the end of the settlement period is less than the one at the start of the settlement period (absolute negative unit performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds — up to the total amount, if applicable — by the amount of the management fee charged by the acquired group target fund.

## Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. Annual reports are released every year on 30 September, and half-yearly reports on 31 March.

For the unit classes "UniFavorite: Equity" and "UniFavorite: Equity -net-", the Company shall, in principle, distribute the pro rata interest, dividends and other income — taking account of the relevant income adjustment — accruing during the financial year to the Investment Fund, which have not been used to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any capital gains and other income may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depositary, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

For the unit classes "UniFavorite: Equity I" and "UniFavorite: Equity I GBP", income is not distributed, but rather reinvested in the Investment Fund (accumulating).

## Other delegation of duties

The Company has outsourced overlay management, as part of portfolio management, to Union Investment Institutional GmbH, Wiesenhüttenstraße 10, 60329 Frankfurt / Main, Germany. Overlay management refers to the use of derivatives to control the Fund's market price risks arising due to the assets acquired, so the Fund can achieve additional profits without changing its risk profile.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

- the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

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which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.
3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.

4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Unit certificates, issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a valuation day or on a day other than a valuation day shall be processed on the following valuation day (valuation day + 1) and shall be settled at the issue or redemption price calculated for this valuation day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.55% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:

- (a) depository fee;
- (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
- (c) costs of the auditing of the Investment Fund by its independent auditors;
- (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- (e) costs of appointing voting proxies;
- (f) fee for data provision and maintenance;
- (g) reporting fees;
- (h) fees for the accounting services of the Investment Fund;
- (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which can be deducted daily in fees from the Investment Fund in accordance with points 1, 3 and 4 above shall not exceed an annual total of 2.15% of the net asset value, as determined on each trading day.

Performance fee

6. Performance fee

- a) Definition of performance fee

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the unit performance is less than that of the benchmark at the end of a settlement period (negative benchmark deviation), then the Company does not receive a performance fee. According to the calculation for positive benchmark deviation, the negative sum per unit value is calculated based on the agreed maximum and carried forward to the next settlement period. For the next settlement period, the Company only receives a performance fee if the sum calculated from the positive benchmark deviation exceeds the negative sum brought forward from the prior settlement period at the end of the settlement period. In such cases, the fee due shall be the difference between the two sums. A remaining negative sum per unit value is carried forward again into the new settlement period. If a negative benchmark deviation occurs again at the end of the next settlement period, then the sum calculated from this negative benchmark is added to the available negative sum carried forward. The calculation of the fee due takes into account the negative sums carried forward from the past five settlement periods.

- b) Definition of a settlement period

The first settlement period starts on 1 July 2013 and ends on 30 September 2014. Subsequent settlement periods start on 1 October of each year and end on 30 September of the following calendar year.

- c) Benchmark

The benchmark applied is the MSCI Index World ("developed markets", weighting by market capitalisation, "total return with net dividends", based on euros).

- d) Performance calculation

The performance fee is determined in the settlement period by comparing the performance of the benchmark with the unit performance, calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating investment fund per-

formance. This enables a simple, comprehensible and precise calculation. Here, the performance is expressed as the percentage of change between the capital invested at the beginning of the investment period and its value at the end of the investment period. The calculations reinvest all dividends back into new units in the Fund in order to ensure comparability between the performance figures of distributing and accumulating funds.

The fees charged to the investment fund should not be deducted from the benchmark performance before the comparison. According to the results of a daily comparison, an applicable performance fee is retained in the investment fund. If the unit performance falls below the benchmark during the settlement period, then any performance fee accrued thus far in the settlement period in question is cancelled according to the daily comparison. The existing, accrued performance fee can be withdrawn at the end of the settlement period. In the event that the benchmark is unavailable, then the Company shall designate another appropriate benchmark to serve in its stead.

e) Negative unit performance

The performance fee can also be withdrawn if the unit value at the end of the settlement period is less than the one at the start of the settlement period (absolute negative unit performance).

Other expenses

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. The distribution shall be carried out annually within four months of the end of the financial year.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

## § 8 Financial year

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

## Use of income and financial year

### § 7 Distribution / accumulation

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing

# Performance of the fund

## Unit class

### UniFavorite: Equity

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	23.96	38.58	118.52	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniFavorite: Equity -net-

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	23.52	37.70	115.90	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniFavorite: Equity I

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	24.57	41.47	124.87	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniFavorite: Equity - I GBP

Because the unit class was launched on 28/11/2014, there is no detailed information relating to fund performance. Up-to-date information relating to fund performance may be obtained from the annual and half-yearly reports.

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned co-operative central banks

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

**Investors in Austria are advised that the unit classes UniFavorite: Equity I GBP and UniFavorite: Equity –net– have not been approved for distribution by the Austrian Financial Markets Authority and that units of these unit classes may not be publicly offered to investors falling within the scope of the Austrian Investment Fund Act.**

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KIID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorite: Equity	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

**Uni21Century -net-**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [vestment.de\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

#### • Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

#### • Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

- vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.
- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
  - Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
  - Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
  - Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
  - Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
  - The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.

## The Investment Fund, launch date and duration

The investment fund named Uni21Century –net– (WKN/ISIN: 975787/DE0009757872) was launched on 1 September 1999 for an indefinite period. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

In addition to being securitised in global certificates, the rights of investors have also been securitised in individual unit certificates (so-called physical securities consisting of a certificate and coupon sheet). The transfer of a unit certificate also transfers the rights chartered therein. The Company has decided that no new physical securities will be issued. The purchase of units is therefore only possible if these are held in custody. Even in the case of physical securities which have already been issued, no new coupon sheet (chartering the revenue entitlement and containing a new renewal coupon) will be issued in exchange for the renewal coupon. The rights of unitholders in possession of physical securities shall remain unaffected. Investors are requested to send in the physical securities (i.e. the certificates with the associated coupon sheets) for exchange and crediting in the collective custody account in order to receive distribution payments.

## Unit classes

All the Investment Fund's units in issue have the same characteristics. Unit classes of the Investment Fund are not offered at present. Unit classes may, however, be formed at any time and at the discretion of the Company. The unit classes may differ regarding the use of income, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. The creation of a unit class does not require units of said class to be in circulation.

## Depository

The following credit institution has taken on the role of depository for the Fund:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

Subscribed and paid-up capital:  
EUR 3,160 million

Liable equity capital:  
EUR 15,550 million

(As at: 31 December 2013)

The depository is a bank under German Law whose main activities comprise the giro, deposit, credit and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

The depository has transferred all depository duties to Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

This could give rise to the following conflicts of interest:

dwpbank is an affiliate company of the depository. The depository has a significant holding in dwpbank and elects members to the Supervisory Board.

According to the depository's own information, the depository handles conflicts of interest as follows:

- Areas of confidentiality are established and taken into account in the monitoring plan for the compliance function.
- The conflict of interest policy contains regulations for client business.
- Employees of the depository are required to comply with the supervisory requirements regarding security and deposit business.
- Careful selection, training, qualification and further training of depository employees.

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

**Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.**

## Specific risk information regarding the Fund

**The investment fund may be subject to high fluctuations in prices as a result of its concentration of investments in specific sectors.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is suitable for risk-tolerant investors who want to make use of the opportunity to invest in equities in attractive future-oriented sectors, and who are willing to accept an increased level of risk. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept an increased level of risk.

The various recommendations published within the framework of the KIID were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

A minimum of two-thirds of the Investment Fund must be invested in equities and equity-equivalent papers of domestic and foreign issuers. The Investment Fund will, furthermore, invest at least 51% in companies in 21st century sectors. These companies are characterised by the fact their sales or profit growth rates, as reported in the latest annual report, exceed those of the average overall performance of the member states of the Organisation for Economic Cooperation and Development. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to one-third of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to one-third of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not

exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% MSCI World Index.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives,

the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Initial sales charge and issue costs

The issue price shall correspond to the redemption price. No initial sales charge shall be applied. The issue and distribution costs shall be borne by the Company from the management fee payable to it.

## Redemption fee

No redemption fee shall be applied.

## Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 2.0% of the asset value calculated on each trading day.

At present, a management fee of 1.9% of the asset value calculated on each trading day is charged to the Investment Fund.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may amount to an annual total of up to 2.6% of the net asset value, as determined on each trading day.

Performance fee:

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (out-performance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting periods will be taken into account when calculating fee entitlement.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 31 January 2015. Subsequent accounting periods will begin on 1 July of each year and end on 31 June of the following calendar year.

(c) Benchmark index

The benchmark index is the MSCI World Index (developed markets, weighted by market capitalisation, total return net dividends reinvested, in euros).

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. The performance therefore represents the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may be paid out even if the unit value at the end of the accounting period is less than the unit value at

the start of the accounting period (absolutely negative unit value performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

### **Financial year and use of income**

The financial year of the Investment Fund ends on 30 September of each year. The annual reports are published as at 30 September and the half-yearly reports to 31 March.

The Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any sales gains and other income may also be distributed, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depositary, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

Coupons issued by the Investment Fund may be redeemed free of charge at the sales and paying agents listed at the end of the Sales Prospectus, as well as at the Depositary. Additional fees may be charged when redeeming coupons at other credit institutions.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

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which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. A minimum of two-thirds of the Investment Fund must be invested in equities and equity-equivalent papers of domestic and foreign issuers. The Investment Fund will, furthermore, invest at least 51% in companies in 21st century sectors. These companies are characterised by the fact their sales or profit growth rates, as reported in the latest annual report, exceed those of the average overall performance of the member states of the Organisation for Economic Cooperation and Development.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to one-third of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to one-third of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, includ-

ing, as the case may be, any income adjustment, exclusively to the relevant unit classes.

3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.
4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Unit certificates, issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

1. Investors' rights are denominated in individual unit certificates or collective certificates (physical certificates). In order to cover the collective deposits in the central depository for transferable securities, unit certificates for a larger number of units (global certificates) may be issued. The Company may stop issuing physical units; in this case, it shall only be possible to acquire units if these are held in custody.
2. The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. No issue or redemption fee shall be applied.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 2.0% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit

classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.

2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.
3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:

- (a) depository fee;
- (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
- (c) costs of the auditing of the Investment Fund by its independent auditors;
- (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- (e) costs of appointing voting proxies;
- (f) fee for data provision and maintenance;
- (g) reporting fees;
- (h) fees for the accounting services of the Investment Fund;
- (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 2.6% of the net asset value, as determined on each trading day.

Performance fee

6. Performance fee

- (a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried

over from the previous five accounting periods will be taken into account when calculating fee entitlement.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 31 January 2015. Subsequent accounting periods will begin on 1 July of each year and end on 31 June of the following calendar year.

(c) Benchmark index

The benchmark index is the MSCI World Index (developed markets, weighted by market capitalisation, total return net dividends reinvested, in euros).

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It provides a straightforward, consistent and precise calculation. The performance therefore represents the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may also be withdrawn if the unit value at the end of the calculation period is less than the unit value at the beginning of the calculation period (absolute negative unit performance).

Other expenses

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However,

the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## Use of income and financial year

### § 7 Distribution / accumulation

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. The distribution shall be carried out annually within four months of the end of the financial year upon presentation of the unused coupon at the paying agents stated in the distribution notices.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

### § 8 Financial year

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

# Performance of the fund

## Investment fund

### Uni21Century -net-

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	22.53	16.71	80.12	65.64

Source: own calculations using the BVI method.

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KI-ID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### Sales agent only:

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KI-ID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21 Century -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

**UniEuroAktien**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [vestment.de\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

#### • Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

#### • Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

- 1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).
- 2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

**This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.**

## The Investment Fund, launch date and duration

The investment fund with the name UniEuroAktien was launched on 1 October 1998 for an indefinite period. At present there is one unit class. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

In addition to being securitised in global certificates, the rights of investors have also been securitised in individual unit certificates (so-called physical securities consisting of a certificate and coupon sheet). The transfer of a unit certificate also transfers the rights chartered therein. The Company has decided that no new physical securities will be issued. The purchase of units is therefore only possible if these are held in custody. Even in the case of physical securities which have already been issued, no new coupon sheet (chartering the revenue entitlement and containing a new renewal coupon) will be issued in exchange for the renewal coupon. The rights of unitholders in possession of physical securities shall remain unaffected. Investors are requested to send in the physical securities (i.e. the certificates with the associated coupon sheets) for exchange and crediting in the collective custody account in order to receive distribution payments.

## Unit classes

The Investment Fund currently has the following unit classes:

UniEuroAktien (Securities ID No./ISIN: 975774 / DE0009757740), denominated in EUR

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

## Depositary

The following credit institution has taken on the role of depositary for the Fund:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

Subscribed and paid-up capital:  
EUR 3,160 million

Liable equity capital:  
EUR 15,550 million

(As at: 31 December 2013)

The depositary is a bank under German Law whose main activities comprise the giro, deposit, credit and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depositary. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depositary, and cannot verify the accuracy and completeness thereof in individual cases.

The depositary has transferred all depositary duties to Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

This could give rise to the following conflicts of interest:

dwpbank is a company affiliated with the Company. The depositary has a significant holding in dwpbank and elects members to the Supervisory Board.

According to the depositary's own information, the depositary handles conflicts of interest as follows:

- Areas of confidentiality are established and taken into account in the monitoring plan for the compliance function.
- The conflict of interest policy contains regulations for client business.
- Employees of the depositary are required to comply with the supervisory requirements regarding security and deposit business.
- Careful selection, training, qualification and further training of depositary employees.

## Licensing agreement

A licensing agreement has been concluded for the Investment Fund with the European index provider STOXX Limited (STOXX). The index provider has decided to drop the "Dow Jones" previously prefixing the index. This change to index names shall in future reflect the new ownership structures in accordance with the information provided.

The relationship between STOXX and its licensor for Union Investment Privatfonds GmbH is restricted to the licensing of the EURO STOXX 50® and related trademarks for use in connection with UniEuroAktien.

### STOXX or its licensor:

- engage in sales and transfers of UniEuroAktien or sponsor or promote UniEuroAktien.
- make no investment recommendations for UniEuroAktien or other securities.
- assume any responsibility or liability and make no decisions regarding timing, amount or pricing of UniEuroAktien.
- assume no responsibility or liability for the administration or marketing of UniEuroAktien.
- are not required to take UniEuroAktien or the owner of UniEuroAktien into account when determining, composing or calculating the EURO STOXX 50®.

### Neither STOXX nor its licensor assume any liability in connection with UniEuroAktien.

#### In particular,

- neither STOXX nor its licensor provide no guarantees, express or implied, and disclaim any and all warranties regarding:
  - a) the results to be obtained by UniEuroAktien, the owner of UniEuroAktien or any other person in connection with the use of the EURO STOXX 50® index and the data included in the EURO STOXX 50® index, holders of UniEuroAktien or any other person in connection with the use of EURO STOXX 50® and data held by EURO STOXX 50®;
  - b) the accuracy or completeness of the EURO STOXX 50® Index and the data contained therein;
  - c) the merchantability and the fitness for a particular purpose or use of the EURO STOXX 50® Index and the data contained therein;
- Neither STOXX nor its licensor assume any liability for errors, omissions or interruptions in the EURO STOXX 50® Index or the data contained therein;
- Under no circumstances shall STOXX or its licensor be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if STOXX or its licensor know that these might occur.

**The licensing agreement between Union Investment Privatfonds GmbH and STOXX is solely for their benefit and not for the benefit of the owner of UniEuroAktien or any third parties.**

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

**Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.**

## Specific risk information regarding the Fund

**This Investment Fund is subject to increased fluctuations as a result of the Fund's concentration on assets in specific countries and regions (political and economic influences).**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is suitable for risk-tolerant investors who want to make use of the opportunity to invest in eurozone equities, and who are willing to accept an increased level of risk. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept a high level of risk or who are seeking a secure income.

The various recommendations published within the framework of the KIID were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the investment fund must be comprised of equities. Furthermore, the Investment Fund may only acquire assets of issuers with their registered office in EU member states who have acceded to the European Monetary Union (EMU) and/or are EMU member countries. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Invest-

ment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100 % EURO STOXX®.

### • Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

### • Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

### • Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

### • Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

### • Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

### • Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

### • OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in

the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Initial sales charge and issue costs

When determining the issue price, an initial sales charge may be added to the relevant unit value of a unit class.

For units of the UniEuroAktien unit class, this initial sales charge is up to 5% of the unit value.

Currently, an initial sales charge of 5% is charged for the UniEuroAktien unit class.

The initial sales charge may reduce or even completely erode Fund performance, particularly during shorter investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund/unit classes. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

## Redemption fee

No redemption fee shall be applied.

## Charges

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day.

The following management fee is currently charged for the issued unit class:

Unit class UniEuroAktien: 1.2%

of the asset value determined on each trading day.

Since 4 October 2006, the aforementioned management fee has been charged for the UniEuroAktien unit class and has remained unchanged.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may, on an annual basis, not exceed a total of 1.85% of the net asset value, as determined on each trading day.

Performance fee:

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (out-performance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, subject to the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting periods will be taken into account when calculating fee entitlement.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 30 September 2014. Subsequent accounting periods will begin on 1 October of each year and end on 30 September of the following calendar year.

(c) Benchmark index

The benchmark index is the EURO STOXX<sup>®</sup> index (total return, weighting according to market capitalisation, in euro terms).

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. The performance therefore represents the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may also be withdrawn if the unit value at the end of the calculation period is less than the unit value at the beginning of the calculation period (absolute negative unit performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds — up to the total amount, if applicable — by the amount of the management fee charged by the acquired group target fund.

## Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. The annual reports will be published on 30 September and the half-yearly reports on 31 March.

For the UniEuroAktien unit class, the Company shall, in principle, distribute the pro rata interest, dividends and other income — taking account of the relevant income adjustment — accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any sales gains and other income may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depositary, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

Coupons issued by the Investment Fund may be redeemed free of charge at the sales and paying agents listed at the end of the Sales Prospectus, as well as at the Depositary. Additional fees may be charged when redeeming coupons at other credit institutions.

1) NB: EURO STOXX<sup>®</sup> is a trademark of STOXX Ltd. and has been licensed to Union Investment Privatfonds GmbH.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## UniEuroAktien

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund must be comprised of equities. Furthermore, the Investment Fund may only acquire assets of issuers with their registered office in EU member states who have acceded to the European Monetary Union (EMU) and/or are EMU member countries.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.
3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly re-

ports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.

4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Unit certificates, issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

1. Investors' rights are denominated in individual unit certificates or collective certificates (physical certificates). In order to cover the collective deposits in the central depository for transferable securities, unit certificates for a larger number of units (global certificates) may be issued. The Company may stop issuing physical units; in this case, it shall only be possible to acquire units if these are held in custody.
2. The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the

Sales Prospectus, as well as in the annual and half-yearly reports.

2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.
3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:

- (a) depository fee;
- (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
- (c) costs of the auditing of the Investment Fund by its independent auditors;
- (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- (e) costs of appointing voting proxies;
- (f) fee for data provision and maintenance;
- (g) reporting fees;
- (h) fees for the accounting services of the Investment Fund;
- (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 1.85% of the net asset value, as determined on each trading day.
6. Performance fee

#### (a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value shall again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the next accounting period, then the existing negative amount carried over shall be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting

periods shall be taken into account when calculating the entitlement to fees.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 30 September 2014. Subsequent accounting periods will begin on 1 October of each year and end on 30 September of the following calendar year.

(c) Benchmark index

The benchmark index is the EURO STOXX<sup>®</sup> 1) index (total return, weighting according to market capitalisation, in euro terms).

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. Performance is defined as the percentage change between the value of the invested assets at the start and end of the investment period. In the calculation, any distributions are converted into new fund units to enable performance comparisons between distributing and reinvesting funds.

Costs charged to the Investment Fund may not be deducted from the performance of the benchmark index before the comparison. Provision for any accrued performance fee shall be made in the Investment Fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period shall be eliminated, depending on the daily comparison. Any reserved performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company shall designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may be paid out even if the unit value at the end of the accounting period is less than the unit value at the start of the accounting period (absolute negative unit value performance).

Other expenses

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a manage-

ment fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## Use of income and financial year

### § 7 Distribution / accumulation

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. The distribution shall be carried out annually within four months of the end of the financial year upon presentation of the unused coupon at the paying agents stated in the distribution notices.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

### § 8 Financial year

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

### § 9 Validity of old unit certificates

On 31 March 2009, all Investment Fund assets with the name Berliner VB Aktien Union were transferred to the UniEuroAktien investment fund. Since 31 March 2009 (transfer date), the investors have been fractional co-owners of the UniEuroAktien investment fund's respective assets in proportion to their number of units.

Unit certificates of the UniEuroAktien investment fund that are still in the name of Berliner VB Aktien Union may be redeemed at the corresponding conversion ratio – calculated according to the applicable unit value – or deposited (collective custody account) at the corresponding conversion ratio – calculated according to the applicable unit value.

The name of the Berliner VB Aktien Union investment fund was formerly "IGB Berlin Invest". Unit certificates that are still in the name of IGB Berlin Invest may also be redeemed at the corresponding conversion ratio – calculated according to the applicable unit value – or deposited (collective custody account) at the corresponding conversion ratio – calculated according to the applicable unit value.

Unitholders in possession of unit certificates of the merged investment fund Berliner VB Aktien Union – formerly IGB Berlin Invest – showing the IGB Investmentgesellschaft Berlin mbH, Berlin, as the capital investment company may have these unit certificates redeemed at the corresponding conversion ratio – calculated according to the applicable unit value – or deposited (collective custody account) at the corresponding conversion ratio – calculated according to the applicable unit value.

1) NB: EURO STOXX<sup>®</sup> is a trademark of STOXX Ltd. and has been licensed to Union Investment Privatfonds GmbH.

# Performance of the fund

## Unit class

### UniEuroAktien

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	21.56	24.88	60.80	57.78

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## **Sales and paying agents**

### **Sales and paying agents in the Federal Republic of Germany:**

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main  
Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf  
Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned co-  
operative central banks

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998 - 6060  
Fax 0049 69 58998 - 9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

## **UniInstitutional EM Bonds Spezial**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [vestment.de\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

• Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

• Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied for pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied for pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

## Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

## Brief summary relating to tax regulations

### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

**This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.**

## The Investment Fund, launch date and duration

The investment fund called UniInstitutional EM Bonds Spezial (WKN/ISIN: 975773/DE0009757732) was launched on 1 July 1999 for an indefinite period. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

## Unit classes

All units issued by the investment fund have the same characteristics. The investment fund does not currently have unit classes. However, unit classes may be formed at any time and at the discretion of the Company. The unit classes may differ regarding the use of income, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. If a unit class is formed, it does not necessarily have to be in circulation.

## Depositary

The following credit institution has taken on the role of depositary for the Fund:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

Subscribed and paid-up capital:  
EUR 3,160 million

Liable equity capital:  
EUR 15,550 million

(As at: 31 December 2013)

The depositary is a credit institution under German Law whose main activities involve the giro, deposit, credit and securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depositary. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depositary, and cannot verify the accuracy and completeness thereof in individual cases.

The depositary has delegated all depositary duties to Deutsche WertpapierService Bank AG, Frankfurt am Main, (dwpbank).

The following conflicts of interest may arise from the sub-depositary activities:

dwpbank is an affiliate company of the depositary. The depositary has a significant holding in dwpbank and elects members to the Supervisory Board.

According to the depositary's own information, the depositary handles conflicts of interest as follows:

- Areas of confidentiality are established and taken into account in the monitoring plan for the compliance function.
- The conflict of interest policy contains regulations for client business.
- Employees of the depositary are required to comply with the supervisory requirements regarding security and deposit business.
- Careful selection, training, qualification and further training of depositary employees.

## Contact office

The contact office for professional investors (natural and legal persons) and institutional investors in the investment fund de-

scribed in this Sales Prospectus is Union Investment Institutional GmbH (Tel.: + 49 69 2567-7652; Fax: + 49 69 2567 2570; E-Mail: institutional@union-investment.de; Homepage: institutional.union-investment.de).

## Risk class of the Investment Fund

The Company has allocated the Fund to the second-lowest of five risk categories and is therefore classified as moderate risk fund.

## Specific risk information regarding the Fund

**If the assets acquired are concentrated in specific countries and regions, the fund may be subject to high price fluctuations, which is particularly due to the political and economic influences in such countries and regions.**

**Furthermore, greater price fluctuations and risks of loss are possible in connection with investments in emerging and developing countries.**

**The fund invests a significant part of its resources in assets which it considers to be sufficiently liquid but which could reach a relatively low level of liquidity under certain circumstances.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as a bond fund.

## Profile of the typical investor

The Fund is suitable for investors with experience of investing in interest-bearing securities of domestic and foreign issuers whose credit rating is not classified as first-class by the market, and who are prepared to accept moderate risk levels. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept a moderate level of risk.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

The assets of the investment fund must be at least 51% comprised of interest-bearing securities of the issuers with their registered offices in emerging markets. Emerging market countries are those countries which, at the time of acquisition, are not registered as developed industrialised countries by the International Monetary Fund or the World Bank. It is only permitted to acquire shares as a result of the exercise of subscription, option and conversion rights from securities in accordance with § 1 paragraph 1 "Special Terms of Contract". Shares acquired in this manner must be sold within a reasonable timeframe. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's derivative portfolio is made up as follows:

100% ML IQ00 & G0BQ A1-A3 Rated LVL3=FSOV EMU CENTRY CURR=§ & (Customized Index Q106).

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/

forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility

of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Marketing and minimum investment

The Fund is designed for distribution to professional investors (natural and legal persons), particularly institutional investors.

The minimum investment in the units of the fund amounts to EUR 1,000,000.00 whereby the company is also authorised to accept lower amounts at its discretion.

## Initial sales charge and issue costs

The issue price corresponds to the redemption price. No initial sales charge shall be applied. The issue and distribution costs shall be borne by the Company from the management fee payable to it.

## Redemption fee

No redemption fee shall be applied.

## Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1% of the asset value calculated on each trading day.

At present, a management fee is applied in an amount of 0.70% per annum to 0.60% per annum on a declining scale according to the volume of the Fund.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.2% of the asset value calculated on each trading day.

At present, a flat fee of 0.1% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may, on an annual basis, not exceed a total of 1.3% of the net asset value, as determined on each trading day.

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## Financial year and use of income

The financial year of the Investment Fund ends on 31 March of each year. The annual reports are published as at 31 March and the half-yearly reports as at 30 September.

The Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any sales gains and other income may also be distributed, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depositary, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

- the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## Uninstitutional EM Bonds Spezial

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. The assets of the investment fund must be at least 51% comprised of interest-bearing securities of the issuers with their registered offices in emerging markets. Emerging market countries are those countries which, at the time of acquisition, are not registered as developed industrialised countries by the International Monetary Fund or the World Bank. It is only permitted to acquire shares due to the exercise of subscription, option and conversion rights of securities in accordance with § 1 paragraph 1. Shares acquired in this manner must be sold within a reasonable timeframe.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding use of income, currency of the unit value (including currency hedging), management fee and the minimum investment amount. Alternatively, they may comprise a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency

hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.

3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.
4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. No initial sales charge or redemption fee shall be applied.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including

the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.2% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:
  - (a) depositary fee;
  - (b) custody and depositary fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) fee for data provision and maintenance;
  - (g) reporting fees;
  - (h) fees for the accounting services of the Investment Fund;
  - (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 1.3% of the net asset value, as determined on each trading day.

Other expenses

6. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depositary and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

7. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

8. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a sub-

stantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## **Use of income and financial year**

### **§ 7 Distribution/accumulation**

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. Distributions shall be paid annually within four months of the end of the financial year.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

### **§ 8 Financial year**

The financial year of the Investment Fund begins on 1 April and ends on 31 March of the following year.

### **§ 9 Name change**

The name of the Geno-RenditeSpezial-Union investment fund was changed to RenditeSpezial-Invest. The name RenditeSpezial-Invest was changed to UnilInstitutional EM Bonds Spezial.

# Performance of the fund

## Investment fund

### Uninstitutional EM Bonds Spezial

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	-5,15	14,36	59,78	73,19

Source: own calculations using the BVI method.

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## **Sales and paying agents**

### **Sales and paying agents in the Federal Republic of Germany:**

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### **Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:**

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KIID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### **Sales agent only:**

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of atrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

## **UniDeutschland XS**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

#### • Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

#### • Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

- vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.
- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
  - Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
  - Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
  - Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
  - Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
  - The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

- Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).
- Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

**This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.**

## The Investment Fund, launch date and duration

The investment fund with the name UniDeutschland XS was launched on 4 October 2006 for an indefinite period. There are currently two unit classes. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

## Unit classes

The Investment Fund comprises different unit classes, i.e. the issued units certify different rights depending on the class to which they belong. The following unit classes currently exist:

UniDeutschland XS (Securities ID No./ISIN: 975049/DE0009750497), denominated in EUR,

UniDeutschland XS I (Securities ID No./ISIN: A0RPAV/DE000A0RPAV6), also denominated in EUR.

These unit classes differ with respect to the minimum investment and, at present, the initial sales charge and the use of income.

Due to these differences, the financial results achieved by the investor with their investment in the Investment Fund may vary, depending on the unit class of the units acquired. This applies to both pre-tax and post-tax returns achieved by the investor.

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

## Depository

The following credit institution has taken on the role of depository for the Fund:

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

Paid-up share capital:  
EUR 649 million

Liability equity capital:  
EUR 2,363 million

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the deposit, credit, monetary and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

Assets are held in custody for the account of the Fund by Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

According to information from the depository, there are no conflicts of interest.

## Contact Office

The contact office for professional investors (natural and legal persons) and for institutional investors of the unit class UniDeutschland XS I described in this Sales Prospectus is Union Investment Institutional GmbH (tel.: +49 (0)69 2567-7652; fax: +49 (0)69 2567 2570, e-mail: institutional@union-investment.de, website: institutional.union-investment.de).

## Licensing agreement

The Investment Fund has a licensing agreement with Deutsche Börse AG to use the SDAX Performance Index (total return).

The Investment Fund (hereinafter: "financial instrument") is not sponsored, promoted, sold or otherwise supported by Deutsche Börse AG ("DBAG") and DBAG does not offer any expressed or tacit guarantee or assurance neither as regards the results of using the index or the underlying index data nor as regards the index position at a specific time or on a specific day or in any other respect. The index and the underlying index data are calculated and published by DBAG. However, insofar as legally permissible, DBAG is not liable vis-à-vis third parties for any errors in the index or the underlying index data. Furthermore, DBAG is not required to point out any errors in the index to third parties, including investors.

Neither the publication of the index by DBAG nor the licensing thereof nor the underlying index data for use in connection with the financial instrument or other transferable securities or financial products derived from the index should be construed as a recommendation on the part of DBAG to invest and do not in any way represent an assurance or opinion on the part of DBAG as regards the appeal of investing in this product.

DBAG, as the sole legal owner of the index and the underlying index data, solely permits the issuer of the financial instrument to use the index data or refer to the index data in connection with the financial instrument.

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

**Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.**

## Specific risk information regarding the Fund

**This Investment Fund is subject to increased fluctuations as a result of the Fund's concentration on assets in specific countries and regions (political and economic influences).**

**The Fund invests a significant part of its resources in assets which it considers to be sufficiently liquid but which could reach a relatively low level of liquidity under certain circumstances.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is suitable for risk-tolerant investors who want to make use of the opportunity to invest in small-cap companies. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept an increased level of risk.

The various recommendations published within the framework of the KIID for the UniDeutschland XS unit class were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment per-

formed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the Investment Fund will be invested in equities or equity-equivalent stocks of German small-cap companies and/or small-cap companies with an economic focus on Germany. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This

includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% SDAX.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Invest-

ment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Marketing and minimum investment

The unit class UniDeutschland XS I is designed for distribution to professional investors (natural and legal persons), particularly institutional investors.

The minimum investment in units of the unit class UniDeutschland XS I amounts to, in principle, EUR 100,000, with the Company being authorised, at its sole discretion, to also accept lower amounts.

No minimum investment figure has been agreed for the UniDeutschland XS unit class.

## Initial sales charge and issue costs

When setting the issue price, an initial sales charge may be added to the unit value of the UniDeutschland XS and UniDeutschland XS I unit classes.

The initial sales charge may amount to up to 5% of the unit value for the UniDeutschland XS and UniDeutschland XS I unit classes. The initial sales charge may reduce or even completely offset Fund performance, particularly during shorter investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

The current initial sales charges are as follows:

4% for the UniDeutschland XS unit class,

0% for the UniDeutschland XS I unit class.

The issue price for the UniDeutschland XS I unit class is currently the same as the redemption price. An initial sales charge is not currently applied to this unit class. The issue and distribution costs shall be borne by the Company from the management fee payable to it.

## Redemption fee

A redemption fee is not charged for the UniDeutschland XS and UniDeutschland XS I unit classes.

## Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 2% of the asset value calculated on each trading day.

The following management fee is currently charged for the issued unit classes:

Unit class UniDeutschland XS: 1.55%

Unit class UniDeutschland XS I: 1.55%

of the asset value determined on each trading day.

Since 15 August 2011, the aforementioned management fee has been charged for the UniDeutschland XS unit class and has remained unchanged.

Since 15 August 2011, the aforementioned management fee has been charged for the UniDeutschland XS I unit class and has remained unchanged.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may amount to an annual total of up to 2.6% of the net asset value, as determined on each trading day.

Performance fee:

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (out-performance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting periods will be taken into account when calculating fee entitlement.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 30 September 2014. Subsequent accounting periods will begin on 1 October of each year and end on 30 September of the following calendar year.

(c) Benchmark index

The benchmark index is the SDAX Performance Index (total return)<sup>1)</sup>.

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. The performance therefore represents the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may be paid out even if the unit value at the end of the accounting period is less than the unit value at the start of the accounting period (absolutely negative unit value performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds — up to the total amount, if

applicable — by the amount of the management fee charged by the acquired group target fund.

## Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. The annual reports will be published on 30 September and the half-yearly reports on 31 March.

For the UniDeutschland XS unit class, income is not distributed, but rather reinvested in the Investment Fund (accumulating).

For the UniDeutschland XS I unit class, the Company shall, in principle, distribute the pro rata interest, dividends and other income — taking account of the relevant income adjustment — accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any sales gains and other income may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depositary, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

<sup>1)</sup> The SDAX Performance Index is a registered trademark of Deutsche Börse AG.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## UniDeutschland XS

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund will be invested in equities or equity-equivalent securities of German small-cap companies and/or small-cap companies with an economic focus on Germany.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.
3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described in-

dividually in the Sales Prospectus, as well as in the annual and half-yearly reports.

4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 2% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees

levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:
  - (a) depositary fee;
  - (b) custody and depositary fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) fee for data provision and maintenance;
  - (g) reporting fees;
  - (h) fees for the accounting services of the Investment Fund;
  - (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 2.6% of the net asset value, as determined on each trading day.

Performance fee

6. Performance fee

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting periods will be taken into account when calculating fee entitlement.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 30 September 2014. Subsequent accounting periods will begin on 1 October of each year and end on 30 September of the following calendar year.

(c) Benchmark index

The benchmark index is the SDAX Performance Index (total return)<sup>1)</sup>.

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. The performance therefore represents the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may be paid out even if the unit value at the end of the accounting period is less than the unit value at the start of the accounting period (absolutely negative unit value performance).

Other expenses

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depositary and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## Use of income and financial year

### § 7 Distribution / accumulation

1. For the Investment Fund and in the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.
2. In the event of establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income - taking account of the relevant income adjustment - accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
3. Distributable pro rata income pursuant to section (2) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
4. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
5. The distribution shall be carried out annually within four months of the end of the financial year.
6. Interim distributions may be paid.

### § 8 Financial year

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

1) The SDAX Performance Index is a registered trademark of Deutsche Börse AG.

# Performance of the fund

## Unit class

### UniDeutschland XS

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	33.39	28.95	244.42	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniDeutschland XS I

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	33.31	-,-	-,-	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KIID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### Sales agent only:

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

**Investors in Luxembourg are advised that the UniDeutschland XS I unit class has not been approved for distribution by the Luxembourg financial supervisory authority and that it is not permitted to offer units of this unit class to investors who fall within the scope of Luxembourg law.**

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

**Investors in Austria are advised that the UniDeutschland XS I unit class has not been approved for distribution by the Austrian Financial Markets Authority and that units of this unit class may not be publicly offered to investors falling within the scope of the Austrian Investment Fund Act.**

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KIID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or profes-
UniGlobal	(1960)	sional investors:
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998 - 6060  
Fax 0049 69 58998 - 9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

## **UniNorthamerica**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

#### • Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

#### • Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

**This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.**

## The Investment Fund, launch date and duration

The investment fund with the name UniNorthamerica was launched on 1 October 1993 for an indefinite period. At present there is one unit class. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

## Unit classes

The UniNorthamerica Investment Fund currently has the following unit class:

UniNorthamerica (Securities ID no./ ISIN: 975007/DE0009750075), denominated in EUR

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

## Depository

The following credit institution has taken on the role of depository for the Fund:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

Subscribed and paid-up capital:  
EUR 3,160 million

Liable equity capital:  
EUR 15,550 million

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the giro, deposit, credit and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

The depository has transferred all depository duties to Deutsche WertpapierService Bank AG, Frankfurt / Main, (dwpbank).

The following conflicts of interest may arise from the sub-depository activities:

dwpbank is an affiliate company of the depository. The depository holds a significant shareholding in dwpbank and appoints members to the Supervisory Board.

According to the depository's own information, the depository handles conflicts of interest as follows:

- confidentiality areas have been set up which are taken into consideration in the monitoring plan of the compliance function
- Customers may obtain details of the regulations contained in the conflict of interest principles.

- Obligations of the employees of the depository to observe the supervisory requirements for the regularity of securities and custody business.
- Careful selection, training, qualification and further training of the employees of the depository.

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

**Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.**

## Specific risk information regarding the Fund

**This Investment Fund is subject to increased fluctuations as a result of the Fund's concentration on assets in specific countries and regions (political and economic influences).**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is suitable for risk-tolerant investors who want to make use of the opportunity to invest in North American equities, and who are willing to accept an increased level of risk depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept an increased level of risk.

The various recommendations published within the framework of the KIID were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 60% of the Investment Fund will be invested directly in equities of issuers with their registered office or a predominant part of their activities in the United States of America or Canada. In addition, the Investment Fund must focus at least two-thirds

of its consolidated direct and indirect investments by employing assets in accordance with § 1 of the "Special Terms of Contract" in the equities of the above-mentioned countries. Up to one-third of the value of the Investment Fund may be invested directly and indirectly in assets in accordance with § 1 of the "Special Terms of Contract" which do not satisfy the aforementioned two-thirds limit. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may directly or indirectly invest up to one-third of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the "General Terms of Contract". Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to one-third of the Investment Fund's assets may be held directly and indirectly in bank balances in accordance with § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, in particular rates, exchange rates or currencies. This includes in other options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% MSCI USA.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of pru-

dential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Initial sales charge and issue costs

When determining the issue price, an initial sales charge of up to 5% may be added to the relevant unit value of a unit class of the Investment Fund.

This initial sales charge may reduce or even completely offset the performance, particularly during short investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

The initial sales charge for the UniNorthamerica unit class currently amounts to 5.0%.

## Redemption fee

No redemption fee is applied to the UniNorthamerica unit class.

## Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day.

The following management fee is currently charged for the UniNorthamerica unit class: 1.2% of the asset value established on each trading day.

Since 01/12/2005, the aforementioned management fee has been charged for the UniNorthamerica unit class and has remained unchanged.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may, on an annual basis, not exceed a total of 1.85% of the net asset value, as determined on each trading day.

Performance fee:

a) Definition of the performance fee

The Company may also receive a performance fee for managing the Investment Fund of up to 25% (maximum) of the amount by which the unit performance exceeds the performance of the benchmark index at the end of a calculation period (outperformance of the benchmark index) subject, however, to a maximum of up to 2.5% of the average value of the Investment Fund during the calculation period.

If the unit performance at the end of a calculation period is less than the performance of the benchmark index (shortfall against benchmark), the Company will not receive a performance fee. In accordance with the calculation for a positive difference compared with the benchmark, the negative amount per unit is determined based on the agreed maximum of the negative amount per unit and carried forward to the next calculation period. The Company only receives a performance fee for the following calculation period if, at the end of the calculation period, the amount arising from the positive difference against the benchmark exceeds the negative amount carried forward from the previous calculation period. In this case, the entitlement to a fee is based on the difference between both amounts. If the amount per unit remains negative, it will be carried forward into the new calculation period. If, at the end of the next calculation period, there is still a shortfall against the benchmark, the existing negative amount carried forward will increase by the amount of this negative benchmark shortfall. When calculating the entitlement to a fee, any negative amounts carried forward over the past five calculation periods will be taken into consideration.

b) Definition of the calculation period

The first calculation period commences on 1 July 2013 and ends on 31 June 2104. Subsequent calculation periods begin on 1 July of each year and end on 30 June of the following calendar year.

c) Benchmark index

The benchmark index is the MSCI USA Index (weighted by market capitalisation, total return net dividends reinvested, in euros).

d) Calculation of performance

The performance fee is determined by comparing the performance of the benchmark index with the unit performance, calculated according to the BVI method, during the calculation period. The BVI method is an internationally recognised standard method used to calculate the performance of investment funds. It provides a straightforward, consistent and precise calculation. The performance therefore depicts the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. Distributions are mathematically reinvested immediately in new fund units in order to ensure comparability of the performances of distributing and accumulating funds.

The costs charged to the Investment Fund may not be deducted from the performance of the benchmark index prior to the comparison. Any performance fee will be provided for by the Investment Fund in accordance with the result of a daily comparison. If the unit value is below the benchmark index during the calculation period, any performance fee provided for in the respective calculation period to this point will be released in line with the daily comparison. The performance fee provision may be withdrawn at the end of the calculation period. If the benchmark in-

dex should cease to exist, the Company will set an appropriate alternative index in place of the stated index.

e) Negative unit performance

The performance fee may also be withdrawn if the unit value at the end of the calculation period is less than the unit value at the beginning of the calculation period (absolute negative unit performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. The annual reports are issued as at 30 September and the half-yearly reports to 31 March.

For the UniNorthamerica unit class, income is not distributed, but rather reinvested in the Investment Fund (accumulating).

## Additional delegation of duties

The Company has delegated the overlay management aspect of the portfolio administration to Union Investment Institutional GmbH, Wiesenhüttenstraße 10, 60329 Frankfurt / Main. Overlay management means the usage of derivatives whereby the market price risks contained in the Fund as a result of the assets acquired are, as far as possible, managed in such a way that an additional income can be earned without altering the risk profile of the Fund.

The aforementioned delegation could give rise to the following conflicts of interest:

The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## UniNorthamerica

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 60% of the Investment Fund will be invested directly in equities of issuers with their registered office or a predominant part of their activities in the United States of America or Canada. In addition, the Investment Fund must focus at least two-thirds of its consolidated direct and indirect investments by employing assets in accordance with § 1 in the equities of the above-mentioned countries. Up to one-third of the value of the Investment Fund may be invested directly and indirectly in assets in accordance with § 1 which do not satisfy the aforementioned two-thirds limit.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. Furthermore, the Company may acquire the money market instruments permitted pursuant to § 6 of the "General Terms of Contract" for the Investment Fund.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Furthermore the Company may acquire the bank deposits permitted pursuant to § 7 of the "General Terms of Contract" for the Investment Fund.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency

hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.

3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.
4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.

2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:

- (a) depositary fee;
- (b) custody and depositary fees, for the safekeeping of assets, in line with standard banking practice;
- (c) costs of the auditing of the Investment Fund by its independent auditors;
- (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- (e) costs of appointing voting proxies;
- (f) fee for data provision and maintenance;
- (g) reporting fees;
- (h) fees for the accounting services of the Investment Fund;
- (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 1.85% of the net asset value, as determined on each trading day.

Performance fee

6. Performance fee

- (a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting periods will be taken into account when calculating fee entitlement.

- (b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 30 June 2014. Subsequent accounting periods will begin on 1 July of each year and end on 30 June of the following calendar year.

(c) **Benchmark index**

The benchmark index is the MSCI USA Index (weighted by market capitalisation, total return net dividends reinvested, in euros).

(d) **Performance calculation**

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. The performance is defined as the percentage change between the value of the invested assets at the start and end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) **Negative unit value performance**

The performance fee may be paid out even if the unit value at the end of the accounting period is less than the unit value at the start of the accounting period (absolute negative unit value performance).

**Other expenses**

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depositary and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

**Transaction costs**

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

**Risks in connection with the acquisition and redemption of investment units**

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substan-

tive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## **Use of income and financial year**

### **§ 7 Distribution / accumulation**

1. For the Investment Fund and in the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.
2. In the event of establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income - taking account of the relevant income adjustment - accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
3. Distributable pro rata income pursuant to section (2) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
4. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
5. The distribution shall be carried out annually within four months of the end of the financial year.
6. Interim distributions may be paid.

### **§ 8 Financial year**

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

# Performance of the fund

## Unit class

### UniNorthamerica

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	25.27	37.62	105.65	97.67

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KI-ID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### Sales agent only:

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KI-ID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNorthamerica	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

**UniKapital**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

#### • Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

#### • Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.

## The Investment Fund, launch date and duration

The investment fund UniKapital (WKN/ISIN: 849108/DE0008491085) was launched on 21 April 1986 for an indefinite period of time. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

In addition to being securitised in global certificates, the rights of investors have also been securitised in individual unit certificates (so-called physical securities consisting of a certificate and coupon sheet). The transfer of a unit certificate also transfers the rights chartered therein. The Company has decided that no new physical securities will be issued. The purchase of units is therefore only possible if these are held in custody. Even in the case of physical securities which have already been issued, no new coupon sheet (chartering the revenue entitlement and containing a new renewal coupon) will be issued in exchange for the renewal coupon. The rights of unitholders in possession of physical securities shall remain unaffected. Investors are requested to send in the physical securities (i.e. the certificates with the associated coupon sheets) for exchange and crediting in the collective custody account in order to receive distribution payments.

## Unit classes

All the Investment Fund's units in issue have the same characteristics. Unit classes of the Investment Fund are not offered at present. Unit classes may, however, be formed at any time and at the discretion of the Company. The unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. The creation of a unit class does not require units of said class to be in circulation.

## Depositary

The following credit institution has taken on the role of depositary for the Fund:

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

Paid-up share capital:  
EUR 649 million

Liable equity capital:  
EUR 2.363 billion

(As at: 31 December 2013)

The depositary is a credit institution under German Law whose main activities involve the deposit, credit, monetary and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depositary. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depositary, and cannot verify the accuracy and completeness thereof in individual cases.

Assets are held in custody for the account of the Fund by Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

According to information from the depositary, there are no conflicts of interest.

## Risk class of the Investment Fund

The Company has assigned the Fund to the lowest of five risk categories. The Fund therefore exhibits a low level of risk.

## Specific risk information regarding the Fund

**Investments of the Investment Fund in interest-bearing transferable securities which are not classified as first-class by the market are associated with an increased risk of default. Existing interest and redemption obligations may not always be met by the respective issuers, particularly in the event of insolvency, or may not or may only be enforceable at a discount. Furthermore, no guarantee can be given that such transferable securities will be tradable. This may result in considerable unit value losses.**

**In addition to this, the investment fund may also experience increased price fluctuations and risk of loss/default in cases of a direct and/or indirect investment in emerging and/or developing countries.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as a bond fund.

## Profile of the typical investor

The Fund is best suited to conservative investors interested in capitalising on the opportunities offered by investing in international, interest-bearing securities with short residual maturities, mainly denominated in euros, and in accepting a limited degree of risk. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not well suited to investors who are not willing to accept a limited degree of risk, or to those who strive for higher yield, in view of the higher risks involved.

The various recommendations published within the framework of the KIID were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the Investment Fund must consist of interest-bearing securities. It is only permitted to acquire shares due to the exercise of subscription, option and conversion rights of interest-bearing securities in accordance with § 1(1) of the "Special Terms of Contract". However, units purchased in this manner must be sold within a reasonable period of time. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 20% of the value of the Investment Fund may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- **Futures/forward contracts**

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- **Swaps**

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- **Swaptions**

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- **Credit default swaps**

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- **Securitised financial instruments**

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- **OTC derivative transactions**

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in

the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Initial sales charge and issue costs

When the issue price is determined, an initial sales charge is added to the unit value. The initial sales charge amounts to up to 3% of the unit value. Currently, an initial sales charge of 2% is charged. The initial sales charge may reduce or even completely offset Fund performance, particularly during shorter investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

## Redemption fee

No redemption fee shall be applied.

## Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 0.8% of the asset value calculated on each trading day.

At present, a management fee of 0.6% of the net asset value calculated on each trading day is charged for the Investment Fund.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.2% of the asset value calculated on each trading day.

At present, a flat fee of 0.1% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may amount to an annual total of up to 1.1% of the net asset value, as determined on each trading day.

Performance fee:

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (out-performance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. According to the calculation for positive benchmark deviation, the negative sum per unit value is calculated based on the agreed maximum and carried forward to the next settlement period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. A remaining negative sum per unit value is carried forward again into the new settlement period. If a negative benchmark deviation occurs again at the end of the next settlement period, then the sum calculated from this negative benchmark is added to the available negative sum carried forward. The calculation of the fee due takes into account the negative sums carried forward from the past five settlement periods.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 31 March 2015. Subsequent accounting periods will begin on 1 April of each year and end on 31 March of the following calendar year.

(c) Benchmark index

The benchmark used is the Merrill Lynch EMU Direct Government Index 1-3 Year (total return, weighting according to market capitalisation, based on euros) plus 25 base points.

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. Here, the performance is expressed as the percentage of change between the capital invested at the beginning of the investment period and its value at the end of the investment period. The calculations reinvest all dividends back into new units in the Fund in order to ensure comparability between the performance figures of distributing and accumulating funds.

The fees charged to the investment fund should not be deducted from the benchmark performance before the comparison. According to the results of a daily comparison, an applicable performance fee is retained in the investment fund. If the unit performance falls below the benchmark during the settlement period, then any performance fee accrued thus far in the settlement period in question is cancelled according to the daily comparison. The existing, accrued performance fee can be withdrawn at the end of the settlement period. In the event that the benchmark is unavailable, then the Company shall designate another appropriate benchmark to serve in its stead.

(e) Negative unit value performance

The performance fee can also be withdrawn if the unit value at the end of the settlement period is less than the one at the start of the settlement period (absolute negative unit performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds — up to the total amount, if applicable — by the amount of the management fee charged by the acquired group target fund.

**Financial year and use of income**

The financial year of the Investment Fund ends on 30 September of each year. Annual reports are released every year on 30 September, and half-yearly reports on 31 March.

For the investment fund described in this sales prospectus, profits are not distributed, but rather reinvested in the Investment Fund (accumulating).

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

- the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

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which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund must consist of interest-bearing securities. It is only permitted to acquire shares due to the exercise of subscription, option and conversion rights of interest-bearing securities in accordance with § 1(1). However, units purchased in this manner must be sold within a reasonable period of time.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.

3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.
4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Unit certificates, issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

1. Investors' rights are denominated in individual unit certificates or collective certificates (physical certificates). In order to cover the collective deposits in the central depository for transferable securities, unit certificates for a larger number of units (global certificates) may be issued. The Company may stop issuing physical units; in this case, it shall only be possible to acquire units if these are held in custody.
2. The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 3% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports. No redemption fee shall be applied.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 0.8% of the asset value calculated on each trading day. The Company is entitled to charge a lower man-

agement fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.

2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.
3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.2% of the net asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:
  - (a) depositary fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) fee for data provision and maintenance;
  - (g) reporting fees;
  - (h) fees for the accounting services of the Investment Fund;
  - (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 1.1% of the net asset value, as determined on each trading day.

Performance fee

6. Performance fee

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. According to the calculation for positive benchmark deviation, the negative sum per unit value is calculated based on the agreed maximum and carried forward to the next settlement period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. A remaining negative sum per unit value is carried forward again into the new settlement period. If a negative benchmark deviation occurs again at the end of the next settlement period, then the sum calculated from this negative benchmark is added to the available negative sum

carried forward. The calculation of the fee due takes into account the negative sums carried forward from the past five settlement periods.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 31 March 2015. The subsequent settlement periods start on 1 April of each year and end on 31 March of the following calendar year.

(c) Benchmark index

The benchmark used is the Merrill Lynch EMU Direct Government Index 1-3 Year (total return, weighting according to market capitalisation, based on euros) plus 25 base points.

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. Here, the performance is expressed as the percentage of change between the capital invested at the beginning of the investment period and its value at the end of the investment period. The calculations reinvest all dividends back into new units in the Fund in order to ensure comparability between the performance figures of distributing and accumulating funds.

The fees charged to the investment fund should not be deducted from the benchmark performance before the comparison. According to the results of a daily comparison, an applicable performance fee is retained in the investment fund. If the unit performance falls below the benchmark during the settlement period, then any performance fee accrued thus far in the settlement period in question is cancelled according to the daily comparison. The existing, accrued performance fee can be withdrawn at the end of the settlement period. In the event that the benchmark is unavailable, then the Company shall designate another appropriate benchmark to serve in its stead.

(e) Negative unit value performance

The performance fee can also be withdrawn if the unit value at the end of the settlement period is less than the one at the start of the settlement period (absolute negative unit performance).

Other expenses

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment

company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## § 7 Distribution / accumulation

1. For the Investment Fund and in the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.
2. For creation of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
3. Distributable pro rata income pursuant to section (2) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
4. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
5. The distribution shall be carried out annually within four months of the end of the financial year upon presentation of the unused coupon at the paying agents stated in the distribution notices.
6. Interim distributions may be paid.

## § 8 Financial year

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

# Performance of the fund

## Investment fund

### UniKapital

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	1.75	8.16	13.74	28.16

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KI-ID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### Sales agent only:

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KI-ID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

**UniGlobal**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

- Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.

## The Investment Fund, launch date and duration

The investment fund with the name UniGlobal was launched on 2 January 1960 for an indefinite period. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

In addition to being securitised in global certificates, the rights of investors have also been securitised in individual unit certificates (so-called physical securities consisting of a certificate and coupon sheet). The transfer of a unit certificate also transfers the rights chartered therein. The Company has decided that no new physical securities will be issued. The purchase of units is therefore only possible if these are held in custody. Even in the case of physical securities which have already been issued, no new coupon sheet (chartering the revenue entitlement and containing a new renewal coupon) will be issued in exchange for the renewal coupon. The rights of unitholders in possession of physical securities shall remain unaffected. Investors are requested to send in the physical securities (i.e. the certificates with the associated coupon sheets) for exchange and crediting in the collective custody account in order to receive distribution payments.

## Unit classes

The Investment Fund comprises different unit classes, i.e. the issued units certify different rights depending on the class to which they belong. The following unit classes currently exist:

UniGlobal (Securities ID No./ISIN: 849105/DE0008491051), denominated in EUR

UniGlobal I (Securities ID No./ISIN: A0M80N/DE000A0M80N0), denominated in EUR

These unit classes currently differ with respect to the initial sales charge, the management fee, the use of income and the minimum investment amount.

Due to these differences, the financial results achieved by the investor with their investment in the Investment Fund may vary, depending on the unit class of the units acquired. This applies to both pre-tax and post-tax returns achieved by the investor.

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

## Depository

The following credit institution has taken on the role of depository for the Fund:

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

Paid-up share capital:  
EUR 649 million

Liability equity capital:  
EUR 2,363 million

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the deposit, credit, monetary and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

Assets are held in custody for the account of the Fund by Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

According to information from the depository, there are no conflicts of interest.

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.

## Specific risk information regarding the Fund

Greater price fluctuations and risks of loss are possible in connection with investments in emerging/developing countries.

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is suitable for risk-tolerant investors who want to make use of the opportunity to invest in domestic and foreign equities, and who are willing to accept an increased level of risk in the meantime. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept an increased level of risk in the meantime.

The various recommendations published within the framework of the KIID were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,

4. **Investment units** pursuant to § 196 KAGB,

5. **Derivatives** pursuant to § 197 KAGB, and

6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers. Interest-bearing transferable securities may be acquired on a temporary basis. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% MSCI World.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty

is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

### Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

### Marketing and minimum investment

No minimum investment amount has been set for the UniGlobal unit class.

The minimum investment amount for the UniGlobal I unit class is EUR 100,000.

The sales agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or unit classes.

### Initial sales charge and issue costs

When determining the issue price, an initial sales charge of up to 5% may be added to the relevant unit value of a unit class.

For units of the UniGlobal unit class, this initial sales charge is currently 5% of the unit value.

An initial sales charge is not currently charged for the UniGlobal I unit class.

If an initial sales charge is calculated, this may reduce or even completely offset the performance, particularly during short investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund/unit classes. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

### Redemption fee

A redemption fee is not charged for the UniGlobal and UniGlobal I unit classes.

### Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day.

The following management fee is currently charged for the issued unit classes:

UniGlobal:	1.2%
UniGlobal I:	0.7%

of the asset value determined on each trading day.

Since 1 July 2008, the aforementioned management fee has been charged for the UniGlobal unit class and has remained unchanged.

Since 1 July 2008, the aforementioned management fee has been charged for the UniGlobal I unit class and has remained unchanged.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may, on an annual basis, not exceed a total of 1.85% of the net asset value, as determined on each trading day.

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

### Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. The annual reports will be published on 30 September and the half-yearly reports on 31 March.

For the UniGlobal unit class, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any sales gains and other income may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depository, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

Coupons issued by the Investment Fund may be redeemed free of charge at the sales and paying agents listed at the end of the Sales Prospectus, as well as at the Depository. Additional fees may be charged when redeeming coupons at other credit institutions.

For the UniGlobal I unit class, income is not distributed, but rather reinvested in the Investment Fund (accumulating).

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## UniGlobal

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers. Interest-bearing transferable securities may be acquired on a temporary basis.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of a single issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.
3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described in-

dividually in the Sales Prospectus, as well as in the annual and half-yearly reports.

4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Unit certificates, issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

1. Investors' rights are denominated in individual unit certificates or collective certificates (physical certificates). In order to cover the collective deposits in the central depository for transferable securities, unit certificates for a larger number of units (global certificates) may be issued. The Company may stop issuing physical units; in this case, it shall only be possible to acquire units if these are held in custody.
2. The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports. No redemption fee shall be applied.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the

Sales Prospectus, as well as in the annual and half-yearly reports.

2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:

- (a) depository fee;
- (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
- (c) costs of the auditing of the Investment Fund by its independent auditors;
- (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- (e) costs of appointing voting proxies;
- (f) fee for data provision and maintenance;
- (g) reporting fees;
- (h) fees for the accounting services of the Investment Fund;
- (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 1.85% of the net asset value, as determined on each trading day.

Other expenses

6. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well as defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

7. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

8. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substan-

tive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## **Use of income and financial year**

### **§ 7 Distribution/accumulation**

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. The distribution shall be carried out annually within four months of the end of the financial year upon presentation of the unused coupon at the paying agents stated in the distribution notices.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

### **§ 8 Financial year**

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

### **§ 9 Name change and price change for unit certificates with the name "ATLANTICFONDS"**

Unit certificates (certificates and coupons) of this Investment Fund which still bear the original name of "ATLANTICFONDS" shall be exchanged free of charge for new unit certificates at a ratio of 5:1, as calculated according to the applicable unit value. The unit certificates with the name "ATLANTICFONDS" carry the same rights as the unit certificates with the name "UniGlobal" until they are exchanged. The right to exchange unit certificates only applies to unit certificates with the name "ATLANTICFONDS" if the corresponding ratio is met.

# Performance of the fund

## Unit class

### UniGlobal

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	18.23	28.69	101.61	101.48

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniGlobal I

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	18.83	30.64	106.71	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KIID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### Sales agent only:

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

**Investors in Luxembourg are advised that the UniGlobal I unit class has not been approved for distribution by the Luxembourg financial supervisory authority and that units of this unit class may not be publicly offered to investors falling under the scope of Luxembourg law.**

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

**Investors in Austria are advised that the UniGlobal I unit class has not been approved for distribution by the Austrian Financial Markets Authority and that units of this unit class may not be publicly offered to investors falling within the scope of the Austrian Investment Fund Act.**

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KIID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

## **UniFavorite: Equity**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

• Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issue or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

• Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
  - deposits with such a body, i.e. bank balances
  - amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
  - In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.
- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

- 1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).
- 2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

**This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.**

## The Investment Fund, launch date and duration

The investment fund UniFavorite: Equity was launched on 1 November 2005 for an indefinite period. Multiple unit classes currently exist. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

## Unit classes

The Investment Fund comprises different unit classes, i.e. the issued units certify different rights depending on the class to which they belong. The following unit classes currently exist:

UniFavorite: Equitiy (WKN/ISIN: 847707/DE0008477076), denominated in EUR

UniFavorite: Equity -net- (WKN/ISIN: 800751/DE0008007519), denominated in EUR

UniFavorite: Equity I (WKN/ISIN: A0M80M/DE000A0M80M2), denominated in EUR

UniFavorite: Equity I GBP (WKN/ISIN: A1C81F / DE000A1C81F3), denominated in GBP

These unit classes differ in their minimum investment amounts and, currently, also in their initial sales charges, management fees, the currency of the unit value and appropriation of income.

Due to these differences, the financial results achieved by the investor with their investment in the Investment Fund may vary, depending on the unit class of the units acquired. This applies to both pre-tax and post-tax returns achieved by the investor.

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

Units of the unit class UniFavorite: Equity I GBP may not be held in a bank custody account of UnionDepot of Union Investment Service Bank AG.

## Depository

The following credit institution has taken on the role of depository for the Fund:

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

Paid-up share capital:  
EUR 649 million

Liability equity capital:  
EUR 2.363 billion

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the deposit, credit, monetary and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

Assets are held in custody for the account of the Fund by Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

According to information from the depository, there are no conflicts of interest.

## Contact office

The contact offices for professional investors (natural persons and legal entities) as well as institutional investors in the unit classes UniFavorite: Equity I and UniFavorite: Equity I GBP described in this sales prospectus is Union Investment Institutional GmbH (phone: +49 69 2567-7652; Fax: +49 69 2567 2570; E-Mail: institutional@union-investment.de; Homepage: institutional.union-investment.de).

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

**Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.**

## Specific risk information regarding the Fund

**Greater price fluctuations and risks of loss are possible when investing in emerging/developing countries.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is best suited to investors who are prepared to take risks and interested in capitalising on the opportunities offered by investing in international units and in accepting a high degree of risk. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept a high level of risk.

The various recommendations published within the framework of the KIID for unit classes "UniFavorite: Equity" and "UniFavorite: Equity -net-" were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1-3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1-3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% MSCI World.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

### Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

### Marketing and minimum investment

The unit classes UniFavorite: Equity I and UniFavorite: Equity I GBP are designed for distribution to professional investors (natural and legal persons), particularly institutional ones.

The minimum investment in units of the unit class UniFavorite: Equity I amounts to, in principle, EUR 100,000.00 with the Company being authorised, at its sole discretion, to also accept lower amounts.

The minimum investment in units of the unit class UniFavorite: Equity I GBP amounts to, in principle, EUR 100,000.00 with the Company being authorised, at its sole discretion, to also accept lower amounts.

The minimum investment in units of the unit class "UniFavorite: Equity -net-" is EUR 10.00.

No minimum investment amount has been set for the unit class "UniFavorite: Equity".

### Initial sales charge and issue costs

When determining the issue price, an initial sales charge of up to 5% may be added to the relevant unit value of a unit class.

If an initial sales charge is calculated, this may reduce or even completely offset the performance of the Fund, particularly during short investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund/unit classes. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

The current initial sales charges are as follows:

5.0% for unit class "UniFavorite: Equity"

0% for unit classes "UniFavorite: Equity -net-", "UniFavorite: Equity I" and "UniFavorite: Equity I GBP"

For unit classes "UniFavorite: Equity -net-", "UniFavorite: Equity I" and "UniFavorite: Equity I GBP" the issue price is currently the redemption price. An initial sales charge is not currently applied to these unit classes. The issue and sales costs are covered by the Company from the management fees to which it is entitled.

### Redemption fee

No redemption fees are charged for unit classes "UniFavorite: Equity", "UniFavorite: Equity -net-" and "UniFavorite: Equity I" and "UniFavorite: Equity I GBP".

### Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.55% of the asset value calculated on each trading day.

The following management fee is currently charged for the issued unit classes:

Unit class "UniFavorite: Equity":	1.2%
Unit class "UniFavorite: Equity -net-":	1.55%
Unit class "UniFavorite: Equity I":	0.7%
Unit class "UniFavorite: Equity I GBP":	0.7%

of the asset value determined on each trading day.

For unit class "UniFavorite: Equity", an unchanged management fee of 1.2% has been charged since 2 January 2008.

For unit class "UniFavorite: Equity -net-", an unchanged management fee of 1.55% has been charged since 2 January 2008.

For unit class "UniFavorite: Equity I", an unchanged management fee of 0.7% has been charged since 1 July 2008.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may amount to an annual total of up to 2.15% of the net asset value, as determined on each trading day.

Performance fee:

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (out-performance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. According to the calculation for positive benchmark deviation, the negative sum per unit value is

calculated based on the agreed maximum and carried forward to the next settlement period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. A remaining negative sum per unit value is carried forward again into the new settlement period. If a negative benchmark deviation occurs again at the end of the next settlement period, then the sum calculated from this negative benchmark is added to the available negative sum carried forward. The calculation of the fee due takes into account the negative sums carried forward from the past five settlement periods.

b) Definition of a settlement period

The first settlement period starts on 1 July 2013 and ends on 30 September 2014. The subsequent settlement periods start on 1 October of each year and end on 30 September of the following calendar year.

c) Benchmark

The benchmark applied is the MSCI Index World ("developed markets", weighting by market capitalisation, "total return with net dividends", based on euros).

d) Performance calculation

The performance fee is determined in the settlement period by comparing the performance of the benchmark with the unit performance, calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating investment fund performance. This enables a simple, comprehensible and precise calculation. Here, the performance is expressed as the percentage of change between the capital invested at the beginning of the investment period and its value at the end of the investment period. The calculations reinvest all dividends back into new units in the Fund in order to ensure comparability between the performance figures of distributing and accumulating funds.

The fees charged to the investment fund should not be deducted from the benchmark performance before the comparison. According to the results of a daily comparison, an applicable performance fee is retained in the investment fund. If the unit performance falls below the benchmark during the settlement period, then any performance fee accrued thus far in the settlement period in question is cancelled according to the daily comparison. The existing, accrued performance fee can be withdrawn at the end of the settlement period. In the event that the benchmark is unavailable, then the Company shall designate another appropriate benchmark to serve in its stead.

e) Negative unit performance

The performance fee can also be withdrawn if the unit value at the end of the settlement period is less than the one at the start of the settlement period (absolute negative unit performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds — up to the total amount, if applicable — by the amount of the management fee charged by the acquired group target fund.

## Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. Annual reports are released every year on 30 September, and half-yearly reports on 31 March.

For the unit classes "UniFavorite: Equity" and "UniFavorite: Equity -net-", the Company shall, in principle, distribute the pro rata interest, dividends and other income — taking account of the relevant income adjustment — accruing during the financial year to the Investment Fund, which have not been used to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any capital gains and other income may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depositary, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

For the unit classes "UniFavorite: Equity I" and "UniFavorite: Equity I GBP", income is not distributed, but rather reinvested in the Investment Fund (accumulating).

## Other delegation of duties

The Company has outsourced overlay management, as part of portfolio management, to Union Investment Institutional GmbH, Wiesenhüttenstraße 10, 60329 Frankfurt / Main, Germany. Overlay management refers to the use of derivatives to control the Fund's market price risks arising due to the assets acquired, so the Fund can achieve additional profits without changing its risk profile.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

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which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.
3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.

4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Unit certificates, issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a valuation day or on a day other than a valuation day shall be processed on the following valuation day (valuation day + 1) and shall be settled at the issue or redemption price calculated for this valuation day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.55% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:

- (a) depositary fee;
- (b) custody and depositary fees, for the safekeeping of assets, in line with standard banking practice;
- (c) costs of the auditing of the Investment Fund by its independent auditors;
- (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- (e) costs of appointing voting proxies;
- (f) fee for data provision and maintenance;
- (g) reporting fees;
- (h) fees for the accounting services of the Investment Fund;
- (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which can be deducted daily in fees from the Investment Fund in accordance with points 1, 3 and 4 above shall not exceed an annual total of 2.15% of the net asset value, as determined on each trading day.

Performance fee

6. Performance fee

- a) Definition of performance fee

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the unit performance is less than that of the benchmark at the end of a settlement period (negative benchmark deviation), then the Company does not receive a performance fee. According to the calculation for positive benchmark deviation, the negative sum per unit value is calculated based on the agreed maximum and carried forward to the next settlement period. For the next settlement period, the Company only receives a performance fee if the sum calculated from the positive benchmark deviation exceeds the negative sum brought forward from the prior settlement period at the end of the settlement period. In such cases, the fee due shall be the difference between the two sums. A remaining negative sum per unit value is carried forward again into the new settlement period. If a negative benchmark deviation occurs again at the end of the next settlement period, then the sum calculated from this negative benchmark is added to the available negative sum carried forward. The calculation of the fee due takes into account the negative sums carried forward from the past five settlement periods.

- b) Definition of a settlement period

The first settlement period starts on 1 July 2013 and ends on 30 September 2014. Subsequent settlement periods start on 1 October of each year and end on 30 September of the following calendar year.

- c) Benchmark

The benchmark applied is the MSCI Index World ("developed markets", weighting by market capitalisation, "total return with net dividends", based on euros).

- d) Performance calculation

The performance fee is determined in the settlement period by comparing the performance of the benchmark with the unit performance, calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating investment fund per-

formance. This enables a simple, comprehensible and precise calculation. Here, the performance is expressed as the percentage of change between the capital invested at the beginning of the investment period and its value at the end of the investment period. The calculations reinvest all dividends back into new units in the Fund in order to ensure comparability between the performance figures of distributing and accumulating funds.

The fees charged to the investment fund should not be deducted from the benchmark performance before the comparison. According to the results of a daily comparison, an applicable performance fee is retained in the investment fund. If the unit performance falls below the benchmark during the settlement period, then any performance fee accrued thus far in the settlement period in question is cancelled according to the daily comparison. The existing, accrued performance fee can be withdrawn at the end of the settlement period. In the event that the benchmark is unavailable, then the Company shall designate another appropriate benchmark to serve in its stead.

e) Negative unit performance

The performance fee can also be withdrawn if the unit value at the end of the settlement period is less than the one at the start of the settlement period (absolute negative unit performance).

Other expenses

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. The distribution shall be carried out annually within four months of the end of the financial year.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

## § 8 Financial year

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

## Use of income and financial year

### § 7 Distribution / accumulation

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing

# Performance of the fund

## Unit class

### UniFavorite: Equity

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	23.96	38.58	118.52	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniFavorite: Equity -net-

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	23.52	37.70	115.90	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniFavorite: Equity I

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	24.57	41.47	124.87	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniFavorite: Equity - I GBP

Because the unit class was launched on 28/11/2014, there is no detailed information relating to fund performance. Up-to-date information relating to fund performance may be obtained from the annual and half-yearly reports.

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned co-operative central banks

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

**Investors in Austria are advised that the unit classes UniFavorite: Equity I GBP and UniFavorite: Equity –net– have not been approved for distribution by the Austrian Financial Markets Authority and that units of these unit classes may not be publicly offered to investors falling within the scope of the Austrian Investment Fund Act.**

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KIID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or profes-
UniGlobal	(1960)	sional investors:
UniRenta	(1968)	
UniRak	(1979)	Unilnstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	Unilnstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	Unilnstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	Unilnstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	Unilnstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	Unilnstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	Unilnstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	Unilnstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	Unilnstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	Unilnstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	Unilnstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	Unilnstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	Unilnstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorite: Equity	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UninNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including the Terms of Contract

for the following UCITS investment fund:

## **UniInstitutional European Government Bonds Peripherie**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the Management Company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the Management Company has been operating under the name Union Investment Privatfonds GmbH; until that time, the Company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The safekeeping of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depository or a sub-depository.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depository or a sub-depository transferred the assets in question to a central depository (e.g. Clearstream) for safekeeping.

In principle, the depository is responsible for the loss of an asset held in the custody of this depository or a sub-depository. The Company has carefully selected the depository. However, it cannot be ruled out that claims for compensation against the depository cannot be met, either in part or in full.

The depository does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositories (see the section entitled "Functions and liability of the depository" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depository that the sub-depositories listed in the special part of the Sales Prospectus (in the section "Sub-depositories") are liable for the custody of assets instead of the depository, then the following should be noted: The Company does not select the sub-depositories, nor does it monitor them. The careful selection and regular monitoring of the sub-depositories is the responsibility of the depository. As such, the Company cannot assess the creditworthiness of sub-depositories. The creditworthiness of these sub-depositories may differ from that of the depository.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

• Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
    - the EU,
    - the German Federal Government,
    - a German federal government fund,
    - a German federal state,
    - another EU member state,
    - another national body,
    - the European Investment Bank,
    - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
    - a public international body, to which at least one EU member state belongs,
- then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.
- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

• Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied for pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied for pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- Repurchase agreements

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. All collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral due to the use of OTC derivatives, the collateral provided shall be subjected to a percentage reduction to its current market value ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- Bank balances:

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- Other collateral:

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- Collateral risks:

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the Management Company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

- 1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).
- 2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the Management Company observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.

## The Investment Fund, launch date and duration

The investment fund with the name UniInstitutional European Government Bonds Peripherie (Securities ID No/ISIN: 847705/DE0008477050) was launched on 1 April 2005 for an indefinite period. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

## Unit classes

All the Investment Fund's units in issue have the same characteristics. Unit classes of the Investment Fund are not offered at present. Unit classes may, however, be formed at any time and at the discretion of the Company. The unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. The creation of a unit class does not require units of said class to be in circulation.

## Depository

The following credit institution has taken on the role of depository for the Fund:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

Subscribed and paid-up capital:  
EUR 3,160 million

Liable equity capital:  
EUR 15,550 million

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the giro, deposit, lending and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

The depository has transferred all depository duties to Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

This could give rise to the following conflicts of interest:

dwpbank is a company affiliated with the Company. The depository has a significant holding in dwpbank and elects members to the Supervisory Board.

According to the depository's own information, it handles conflicts of interest as follows:

- Areas of confidentiality are established and taken into account in the monitoring plan for the compliance function.
- Customers may obtain details of the regulations contained in the conflict of interest principles.
- Obligations of the employees of the depository to observe the supervisory requirements for the regularity of securities and custody business.
- Careful selection, training, qualification and further training of the employees of the depository.

## Contact Office

The contact office for professional investors (natural and legal persons) and for institutional investors in the investment fund described in this Sales Prospectus is Union Investment Institu-

tional GmbH (tel.: +49 (0)69 2567-7652; fax: +49 (0)69 2567 2570; e-mail: institutional@union-investment.de; website: institutional.union-investment.de).

## Risk class of the Investment Fund

The Company has allocated the Fund to the second-lowest of five risk categories. The Fund therefore has a moderate level of risk.

## Specific risk information regarding the Fund

**The Fund invests a significant part of its resources in assets which it considers to be sufficiently liquid but which could reach a relatively low level of liquidity under certain circumstances.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as a bond fund.

## Profile of the typical investor

The Fund is suitable for risk-averse investors who wish to invest in fixed-income and floating-rate transferable securities, and are willing to accept a moderate level of risk. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept a moderate level of risk.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the Investment Fund's assets are invested in fixed-income transferable securities (bonds) of European central governments, regional governments, corporations and institutions governed by public law or supranational issuers that do not belong to the core countries of the European Union (Belgium, France, Germany, Luxembourg, the Netherlands and the United Kingdom) ("periphery countries"). Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

20 % iBoxx € France 5-7, 45% iBoxx € Italy 5-7, 35% iBoxx € Sovereigns 5-7.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all per-

missible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- **Swaptions**

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- **Credit default swaps**

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- **Securitised financial instruments**

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- **OTC derivative transactions**

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company.

In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Marketing and minimum investment

The Fund is designed for distribution to professional investors (natural and legal persons), particularly institutional investors.

The minimum investment in units of the fund amounts to, in principle, EUR 1,000,000, with the Company being authorised, at its sole discretion, to also accept lower amounts.

## Initial sales charge and issue costs

When the issue price is determined, an initial sales charge is added to the unit value. The initial sales charge amounts to up to 2% of the unit value. There is currently no initial sales charge. The initial sales charge may reduce or even completely offset Fund performance, particularly during shorter investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

## Redemption fee

No redemption fee shall be applied.

## Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 0.6% of the asset value calculated on each trading day.

At present, a management fee of 0.32% of the asset value calculated on each trading day is charged to the Investment Fund.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.2% of the asset value calculated on each trading day.

At present, a flat fee of 0.1% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may, on an annual basis, not exceed a total of 0.9% of the net asset value, as determined on each trading day.

## Financial year and use of income

The financial year of the Investment Fund ends on 31 March of each year. The annual reports are published as at 31 March and the half-yearly reports as at 30 September.

The Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be

paid at any time. Any sales gains and other income may also be distributed, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depository, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## Uninstitutional European Government Bonds Peripherie

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the Investment Fund's assets are invested in fixed-income transferable securities (bonds) of European central governments, regional governments, corporations and institutions governed by public law or supranational issuers that do not belong to the core countries of the European Union (Belgium, France, Germany, Luxembourg, the Netherlands and the United Kingdom) ("periphery countries").
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, includ-

ing, as the case may be, any income adjustment, exclusively to the relevant unit classes.

3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described individually in the Sales Prospectus, as well as in the annual and half-yearly reports.
4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day). On trading days that are public holidays, and on 24 and 31 December of each year, the Company and the depositary need not determine this value; for further details, see the Sales Prospectus.
2. The initial sales charge amounts to 2% of the unit value. The Company is entitled to charge a lower sales charge for the Investment Fund or for one or more unit classes, or not charge one at all. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports. No redemption fee shall be applied.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day+1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 0.6% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit

classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.

2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.
3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.2% of the net asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:
  - (a) depositary fee;
  - (b) custody and depositary fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) fee for data provision and maintenance;
  - (g) reporting fees;
  - (h) fees for the accounting services of the Investment Fund;
  - (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 0.9% of the net asset value, as determined on each trading day.

Other expenses

6. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depositary and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

7. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

8. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by an

other company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

## **Use of income and financial year**

### **§ 7 Distribution/accumulation**

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. The distribution shall be carried out annually within four months of the end of the financial year.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

### **§ 8 Financial year**

The financial year of the Investment Fund begins on 1 April and ends on 31 March of the following year.

### **§ 9 Name change**

The name of the investment fund was changed from Euro-Bond-Invest 3 Jahre to UnInstitutional Euro Bond 3 years. It was then changed from UnInstitutional Euro Bond 3 years to UnInstitutional European Government Bonds Peripherie.

# Performance of the fund

## Investment fund

### Uninstitutional European Government Bonds Peripherie

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

Periods	1 year	3 years	5 years	10 years
in %	2,70	13,37	20,11	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## **Sales and paying agents**

### **Sales and paying agents in the Federal Republic of Germany:**

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main  
Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf  
Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned  
cooperative central banks

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of atrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

## **UniDeutschland XS**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [vestment.de\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

• Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
    - the EU,
    - the German Federal Government,
    - a German federal government fund,
    - a German federal state,
    - another EU member state,
    - another national body,
    - the European Investment Bank,
    - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
    - a public international body, to which at least one EU member state belongs,
- then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.
- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

• Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
  - deposits with such a body, i.e. bank balances
  - amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
  - In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.
- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied for pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied for pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depositary.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depositary to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depositary. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depositary at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depositary fee;
  - (b) custody and depositary fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depositary and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depositary and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

- 1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).
- 2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

**This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.**

## The Investment Fund, launch date and duration

The investment fund with the name UniDeutschland XS was launched on 4 October 2006 for an indefinite period. There are currently two unit classes. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

## Unit classes

The Investment Fund comprises different unit classes, i.e. the issued units certify different rights depending on the class to which they belong. The following unit classes currently exist:

UniDeutschland XS (Securities ID No./ISIN: 975049/DE0009750497), denominated in EUR,

UniDeutschland XS I (Securities ID No./ISIN: A0RPAV/DE000A0RPAV6), also denominated in EUR.

These unit classes differ with respect to the minimum investment and, at present, the initial sales charge and the use of income.

Due to these differences, the financial results achieved by the investor with their investment in the Investment Fund may vary, depending on the unit class of the units acquired. This applies to both pre-tax and post-tax returns achieved by the investor.

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

## Depository

The following credit institution has taken on the role of depository for the Fund:

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

Paid-up share capital:  
EUR 649 million

Liability equity capital:  
EUR 2,363 million

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the deposit, credit, monetary and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

Assets are held in custody for the account of the Fund by Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

According to information from the depository, there are no conflicts of interest.

## Contact Office

The contact office for professional investors (natural and legal persons) and for institutional investors of the unit class UniDeutschland XS I described in this Sales Prospectus is Union Investment Institutional GmbH (tel.: +49 (0)69 2567-7652; fax: +49 (0)69 2567 2570, e-mail: institutional@union-investment.de, website: institutional.union-investment.de).

## Licensing agreement

The Investment Fund has a licensing agreement with Deutsche Börse AG to use the SDAX Performance Index (total return).

The Investment Fund (hereinafter: "financial instrument") is not sponsored, promoted, sold or otherwise supported by Deutsche Börse AG ("DBAG") and DBAG does not offer any expressed or tacit guarantee or assurance neither as regards the results of using the index or the underlying index data nor as regards the index position at a specific time or on a specific day or in any other respect. The index and the underlying index data are calculated and published by DBAG. However, insofar as legally permissible, DBAG is not liable vis-à-vis third parties for any errors in the index or the underlying index data. Furthermore, DBAG is not required to point out any errors in the index to third parties, including investors.

Neither the publication of the index by DBAG nor the licensing thereof nor the underlying index data for use in connection with the financial instrument or other transferable securities or financial products derived from the index should be construed as a recommendation on the part of DBAG to invest and do not in any way represent an assurance or opinion on the part of DBAG as regards the appeal of investing in this product.

DBAG, as the sole legal owner of the index and the underlying index data, solely permits the issuer of the financial instrument to use the index data or refer to the index data in connection with the financial instrument.

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

**Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.**

## Specific risk information regarding the Fund

**This Investment Fund is subject to increased fluctuations as a result of the Fund's concentration on assets in specific countries and regions (political and economic influences).**

**The Fund invests a significant part of its resources in assets which it considers to be sufficiently liquid but which could reach a relatively low level of liquidity under certain circumstances.**

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is suitable for risk-tolerant investors who want to make use of the opportunity to invest in small-cap companies. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept an increased level of risk.

The various recommendations published within the framework of the KIID for the UniDeutschland XS unit class were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment per-

formed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,
4. **Investment units** pursuant to § 196 KAGB,
5. **Derivatives** pursuant to § 197 KAGB, and
6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the Investment Fund will be invested in equities or equity-equivalent stocks of German small-cap companies and/or small-cap companies with an economic focus on Germany. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

**The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.**

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This

includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% SDAX.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Invest-

ment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

## Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

## Marketing and minimum investment

The unit class UniDeutschland XS I is designed for distribution to professional investors (natural and legal persons), particularly institutional investors.

The minimum investment in units of the unit class UniDeutschland XS I amounts to, in principle, EUR 100,000, with the Company being authorised, at its sole discretion, to also accept lower amounts.

No minimum investment figure has been agreed for the UniDeutschland XS unit class.

## Initial sales charge and issue costs

When setting the issue price, an initial sales charge may be added to the unit value of the UniDeutschland XS and UniDeutschland XS I unit classes.

The initial sales charge may amount to up to 5% of the unit value for the UniDeutschland XS and UniDeutschland XS I unit classes. The initial sales charge may reduce or even completely offset Fund performance, particularly during shorter investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

The current initial sales charges are as follows:

4% for the UniDeutschland XS unit class,

0% for the UniDeutschland XS I unit class.

The issue price for the UniDeutschland XS I unit class is currently the same as the redemption price. An initial sales charge is not currently applied to this unit class. The issue and distribution costs shall be borne by the Company from the management fee payable to it.

## Redemption fee

A redemption fee is not charged for the UniDeutschland XS and UniDeutschland XS I unit classes.

## Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 2% of the asset value calculated on each trading day.

The following management fee is currently charged for the issued unit classes:

Unit class UniDeutschland XS: 1.55%

Unit class UniDeutschland XS I: 1.55%

of the asset value determined on each trading day.

Since 15 August 2011, the aforementioned management fee has been charged for the UniDeutschland XS unit class and has remained unchanged.

Since 15 August 2011, the aforementioned management fee has been charged for the UniDeutschland XS I unit class and has remained unchanged.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may amount to an annual total of up to 2.6% of the net asset value, as determined on each trading day.

Performance fee:

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (out-performance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting periods will be taken into account when calculating fee entitlement.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 30 September 2014. Subsequent accounting periods will begin on 1 October of each year and end on 30 September of the following calendar year.

(c) Benchmark index

The benchmark index is the SDAX Performance Index (total return)<sup>1)</sup>.

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. The performance therefore represents the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may be paid out even if the unit value at the end of the accounting period is less than the unit value at the start of the accounting period (absolutely negative unit value performance).

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds — up to the total amount, if

applicable — by the amount of the management fee charged by the acquired group target fund.

## Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. The annual reports will be published on 30 September and the half-yearly reports on 31 March.

For the UniDeutschland XS unit class, income is not distributed, but rather reinvested in the Investment Fund (accumulating).

For the UniDeutschland XS I unit class, the Company shall, in principle, distribute the pro rata interest, dividends and other income — taking account of the relevant income adjustment — accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any sales gains and other income may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depositary, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

<sup>1)</sup> The SDAX Performance Index is a registered trademark of Deutsche Börse AG.

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## UniDeutschland XS

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund will be invested in equities or equity-equivalent securities of German small-cap companies and/or small-cap companies with an economic focus on Germany.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.
3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described in-

dividually in the Sales Prospectus, as well as in the annual and half-yearly reports.

4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 2% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the Sales Prospectus, as well as in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees

levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:
  - (a) depositary fee;
  - (b) custody and depositary fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) fee for data provision and maintenance;
  - (g) reporting fees;
  - (h) fees for the accounting services of the Investment Fund;
  - (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 2.6% of the net asset value, as determined on each trading day.

Performance fee

6. Performance fee

(a) Definition of "performance fee"

In return for managing the investment fund, the Company may also receive a performance fee of up to 25% (maximum) of the amount by which the performance of the unit value exceeds that of the reference index at the end of an accounting period (outperformance over the reference index), but no more than 2.5% of the average value of the investment fund during the accounting period.

If the performance of the unit value at the end of an accounting period is less than that of the benchmark index (negative performance with respect to benchmark), then the Company will not receive a performance fee. Correspondingly, when calculating positive performance with respect to the benchmark, the negative amount per unit value will be calculated, based on the agreed maximum amount, and carried over to the next accounting period. For the next accounting period, the Company will only receive a performance fee if the amount calculated at the end of the new accounting period — based on a positive performance with respect to benchmark — exceeds the negative amount carried over from the preceding accounting period. In this case, the performance fee shall be the difference between the two amounts. Any remaining negative balance per unit value will again be carried over to the next accounting period. If there is again a negative performance with respect to benchmark at the end of the following accounting period, then the negative amount carried over will be added to the amount calculated from the new negative performance. Negative amounts carried over from the previous five accounting periods will be taken into account when calculating fee entitlement.

(b) Definition of "accounting period"

The first accounting period began on 1 July 2013 and ended on 30 September 2014. Subsequent accounting periods will begin on 1 October of each year and end on 30 September of the following calendar year.

(c) Benchmark index

The benchmark index is the SDAX Performance Index (total return)<sup>1)</sup>.

(d) Performance calculation

The performance fee is determined by comparing the performance of the benchmark index during the accounting period with that of the unit value, which is calculated using the BVI method. The BVI method is an internationally recognised standard method for calculating the performance of investment assets. It enables a simple, understandable and accurate calculation. The performance therefore represents the percentage change between the assets invested at the beginning of the investment period and the value thereof at the end of the investment period. In the calculation, any distributions are invested in new fund units to enable performance comparisons between distributing and accumulating funds.

Costs charged to the investment fund may not be deducted from the performance of the benchmark index before the comparison has been made. Provision for any accrued performance fee will be made in the investment fund on the basis of the results of a daily comparison. If the unit value performance during the accounting period is below the benchmark index, then any performance fee already reserved during that accounting period will be eliminated, depending on the daily comparison. Any deferred performance fee outstanding at the end of the accounting period may be paid out. If the benchmark index should cease to exist, the Company will designate another suitable index to replace the aforementioned index.

(e) Negative unit value performance

The performance fee may be paid out even if the unit value at the end of the accounting period is less than the unit value at the start of the accounting period (absolutely negative unit value performance).

Other expenses

7. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:

- (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
- (b) fees and costs imposed by government agencies with respect to the Investment Fund;
- (c) costs of legal and tax consulting services for the Investment Fund;
- (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
- (e) taxes arising in connection with fees payable to the Company, depositary and third parties, as well the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## Use of income and financial year

### § 7 Distribution / accumulation

1. For the Investment Fund and in the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.
2. In the event of establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income - taking account of the relevant income adjustment - accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
3. Distributable pro rata income pursuant to section (2) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
4. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
5. The distribution shall be carried out annually within four months of the end of the financial year.
6. Interim distributions may be paid.

### § 8 Financial year

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

1) The SDAX Performance Index is a registered trademark of Deutsche Börse AG.

# Performance of the fund

## Unit class

### UniDeutschland XS

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	33.39	28.95	244.42	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniDeutschland XS I

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	33.31	-,-	-,-	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KIID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### Sales agent only:

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

**Investors in Luxembourg are advised that the UniDeutschland XS I unit class has not been approved for distribution by the Luxembourg financial supervisory authority and that it is not permitted to offer units of this unit class to investors who fall within the scope of Luxembourg law.**

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

**Investors in Austria are advised that the UniDeutschland XS I unit class has not been approved for distribution by the Austrian Financial Markets Authority and that units of this unit class may not be publicly offered to investors falling within the scope of the Austrian Investment Fund Act.**

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KIID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or professional investors:
UniGlobal	(1960)	
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998 - 6060  
Fax 0049 69 58998 - 9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)



# Sales Prospectus including Terms of Contract

for the following UCITS investment fund:

**UniGlobal**



Management Company:  
Union Investment Privatfonds GmbH

As at: 29 December 2014

# Contents

Units in this UCITS investment fund may be sold and purchased on the basis of this Sales Prospectus, the Key Investor Information Document (hereinafter: "KIID"), and the "General Terms of Contract" in conjunction with the "Special Terms of Contract", as amended. The General Terms of Contract and Special Terms of Contract can be found at the end of this Sales Prospectus.

Upon request, the Sales Prospectus shall be provided free of charge to any party interested in the acquisition of a unit, together with the most recently published annual report, as well as any subsequently published half-yearly report. In addition, the KIID shall be made available free of charge and in good time prior to contract signature.

No information or statements deviating from the currently applicable Sales Prospectus may be issued. Any purchase or sale of units based on information or statements that are not explicitly contained in this Sales Prospectus or in the KIID shall be undertaken at the exclusive risk of the purchaser or seller. The Sales Prospectus is supplemented in each case by the most recent annual report and any subsequently published half-yearly report.

The contractual relationship between the management company and the investor, as well as any pre-contract relationships, shall be governed by German law. The registered office of the management company shall be the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has a general place of jurisdiction in Germany. All publications and publicity materials shall be written in German or shall be provided with a German translation. Furthermore, the management company will conduct all communication with its investors in German.

In the event of disputes in connection with the provisions of the Capital Investment Code (*Kapitalanlagegesetzbuch* — hereinafter: "KAGB"), consumers may contact the "Ombudsman's Office for Investment Funds" of BVI Bundesverband Investment und Asset Management e.V. (BVI). The right to seek redress in court shall remain unaffected.

The contact details for the BVI Ombudsman's Office for Investment Funds are as follows:

Ombudsman's Office  
BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Tel.: +49 (0)30 6449046-0  
Fax: +49 (0)30 6449046-29  
E-mail: info@ombudsstelle-investmentfonds.de  
www.ombudsstelle-investmentfonds.de

Should any dispute arise in relation to the application of the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*) about distance contracts for financial services, affected parties may also contact the Arbitration Office of Deutsche Bundesbank. The right to seek redress in court shall remain unaffected.

The contact details are as follows:

Arbitration Office of Deutsche Bundesbank  
Postfach 11 12 32  
60047 Frankfurt  
Tel.: +49 (0)69/2388-1907 or -1906  
Fax: +49 (0)69/2388-1919  
schlichtung@bundesbank.de

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# General part

This Sales Prospectus consists of a general and a special part. The general part contains the general rules for UCITS investment funds managed by Union Investment Privatfonds GmbH. The special part lists regulations which deviate from or supplement the general regulations for the UCITS investment fund described in this Sales Prospectus.

## General provisions, sales documentation and disclosure of information

The UCITS investment fund described in this Sales Prospectus (hereinafter also referred to as the "Fund" or "Investment Fund") is an investment fund within the meaning of Directive No 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter: "UCITS Directive") within the meaning of the KAGB. It is managed by Union Investment Privatfonds GmbH, Frankfurt / Main, (hereinafter: the "Company" or "Union Investment").

The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets. It invests these funds pursuant to the principle of risk spreading in assets permitted under the KAGB. The Fund does not form part of the Company's insolvency assets.

The assets in which the Company may invest its capital, along with the terms with which it must comply when doing so, are stipulated in the KAGB and its associated regulations, as well as in the Terms of Contract governing the legal relationship between investors and the Company. The Terms of Contract include a general and a special part (the "General Terms of Contract" and the "Special Terms of Contract"). Terms of Contract for a public investment fund are subject to prior approval by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht — hereinafter: "BaFin").

The Sales Prospectus, the Terms of Contract, the KIID and the current annual and half-yearly reports may be obtained free of charge in electronic form or as a hard copy from Union Investment, the Depository, the Contact Office — where specified in the special part of the Sales Prospectus — as well as the sales agents and paying agents listed at the end of this Sales Prospectus.

Additional information regarding the investment limits of the risk management policy for the Fund, the risk management methods and the most recent developments regarding risks and returns for the most important asset classes may be obtained from Union Investment (tel.: +49 (0)69 58998-6060 or e-mail: [service@union-investment.de](mailto:service@union-investment.de)) and the Contact Office — where specified in the special part of the Sales Prospectus — in electronic form or as a hard copy. The Company has also established procedures for dealing with any complaints from unitholders in an appropriate and timely manner. More detailed information regarding these procedures may be viewed on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or requested directly from the Company or the Contact Office — where specified in the special part of the Sales Prospectus.

If an Investment Committee has been set up, details relating thereto can be found in the section entitled "Sales agents and paying agents" at the end of this Sales Prospectus.

## Terms of Contract and amendments thereto

The Terms of Contract can be found in this Sales Prospectus.

The Terms of Contract may be amended by the Company. Amendments to the Terms of Contract must be approved by BaFin. Amendments to the investment principles of the Fund must also be approved by the Company's Supervisory Board. Amendments to the Fund's investment principles are permitted only upon the condition that the Company offers investors either the redemption of their units free of charge before the changes come into effect, or the exchange of their units free of charge for units of other investment funds with comparable investment principles, provided that the Company or one of its group companies manages such investment funds.

Notice of any proposed changes must be given in the German Federal Gazette and additionally in a sufficiently widely distributed financial or daily newspaper or on Union Investment's website (which can be accessed via [\[www.privatkunden.union-investment.de\]\(http://www.privatkunden.union-investment.de\)\) and on the website of the Contact Office — where specified in the special part of this Sales Prospectus. Investors will also be informed by the institution maintaining their custody account, either via hard copy or in electronic form, if the changes relate to any of the following: fees or reimbursements of expenses to be deducted from the Fund, the Fund's investment principles or any significant investor rights. This information will include the key content of the planned amendments, the reasons for their implementation, the rights of investors in connection with the amendments and a reference to where and how further information can be obtained. The amendments will take effect at the earliest on the day after notice is given. Changes to regulations applicable to remunerations and the reimbursement of expenses will take effect at the earliest three months after notice is given, unless an earlier date is agreed with BaFin approval. Amendments to the Fund's current investment principles shall also take effect at the earliest three months after notice is given.](http://www.privatkunden.union-in-</a></p></div><div data-bbox=)

## Management Company

Union Investment Privatfonds GmbH, with its registered office in Frankfurt / Main, is a management company pursuant to the KAGB and was founded on 26 January 1956. It has the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung* — GmbH). Since 23 January 2002, the management company has been operating under the name Union Investment Privatfonds GmbH; until that time, the company was called Union-Investment-Gesellschaft mbH.

Union Investment has been managing transferable securities funds since 12 April 1956. Since 4 August 1994, it has also been authorised to manage money market assets. Since 3 July 1998, it has also been authorised to manage funds of funds, as well as mixed securities, real estate and pension funds. Following the adjustment of its Articles of Association to reflect the German Investment Act (*Investmentgesetz* — hereinafter: "InvG"), the Company has been authorised since 17 December 2004 to manage UCITS funds, mixed funds, pension funds and institutional funds; this authorisation also includes the management of the types of investment fund referred to above. Since 17 November 2008, the Company may also manage other investment funds.

The InvG was replaced by the KAGB on 22 July 2013.

The Management Company's authorisation to manage investment funds pursuant to the requirements of the UCITS Directive under the KAGB is deemed to have been granted, since the Management Company was previously authorised under the InvG. Moreover, BaFin also granted the Company authorisation to operate as an AIF management company pursuant to the KAGB on 21 July 2014.

Further details of the shareholders, members of the Supervisory Board and management team, as well as the main roles of managers and board members, to the extent relevant for the Company, may be found at the end of this Sales Prospectus. Details of further funds managed by the Company can also be found at the end of this Sales Prospectus. Any changes may be derived from the annual and half-yearly reports to be drawn up regularly.

## Equity capital and additional equity

Details of the subscribed and paid-up capital and the liable equity of Union Investment can be found at the end of this Sales Prospectus.

The Company has covered the professional liability risks arising from the management of investment funds not compliant with the UCITS Directive (the so-called alternative investment funds — AIF) that may be attributed to professional negligence of its bodies or employees through: equity capital in the amount of at least 0.01% of the value of the portfolio of all managed AIFs, with this amount being annually reviewed and adjusted. This equity is incorporated in the liable equity as specified.

## Depository and sub-depositaries

The KAGB provides for a separation between the management and custody of assets. The Company has appointed a credit institution as the depository charged with the custody of the Investment Fund's assets.

The depository keeps the assets in blocked deposits or on blocked accounts and monitors the Company's compliance in its activities regarding these assets with the provisions of the KAGB and the Terms of Contract. The investment of assets in bank bal-

ances with other credit institutions, as well as access to such balances, is subject to the approval of the depository. The depository may not withhold its approval if such investment or disposition complies with the Terms of Contract and the provisions of the KAGB.

If the depository has outsourced its depository duties to one or more sub-depositaries, the responsibilities delegated shall be described in the special part of the Sales Prospectus under "Sub-depositaries", along with the name of the relevant sub-depository and, if applicable, reference to any conflicts of interest that may arise through such delegation of duties.

- issue and redemption of Fund units;
- ensuring that the issue and redemption of units, as well as the calculation of the unit value, are carried out in accordance with the provisions of the KAGB and the Terms of Contract;
- ensuring that with regard to transactions for the joint account of investors, the countervalue is received into its custody within the customary deadlines;
- ensuring that the income of the Fund is used in accordance with the provisions of the KAGB and the Terms of Contract;
- monitoring of borrowing undertaken by the Company for the account of the Fund, as well as giving its approval for borrowing, where applicable, provided this does not involve short-term overdrafts caused solely by the delayed crediting of payments received;
- ensuring that collateral for securities lending transactions is provided in a legally valid manner and remains available at all times.

The role of depository has been taken on by the bank indicated in the section entitled "Depository" in the special part of the Sales Prospectus.

## Depository's liability

As a rule, the depository is responsible for all assets placed either in its custody or, with its consent, in the custody of a third party. If such an asset is lost, the depository shall be liable towards the Fund and its investors, unless this loss is attributable to events outside the control of the depository. For damages other than the loss of an asset, the depository shall generally only be liable if it has failed to fulfil its obligations under the provisions of the KAGB through negligence, as a minimum.

## Non-liability of sub-depositaries

With respect to the loss of an asset held by a sub-depository, the depository may release itself from liability, such that the sub-depository will be liable for the loss of said asset instead of the depository.

If the depository has transferred its liability to a sub-depository through agreements with the Company and sub-depository, then the details of such agreements can be found in the section entitled "Sub-depositaries" in the special part of the Sales Prospectus.

**In case of such transfer of liability, any claims for damages on the part of the Company or the investors in relation to the loss of an asset held by a sub-depository may only be made against the sub-depository.**

## Distribution and distribution restrictions

The sales and paying agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or the unit classes.

**The Fund units issued may only be offered or sold in countries where such offer or sale is in line with the law. This requires appropriate marketing authorisation from the competent supervisory authority. Marketing by third parties additionally requires approval from the Company.**

**The Company and/or the Fund have not been and will not be registered under the 1940 US Investment Company Act, in the version currently in force. The units of the Fund have not been and will not be registered under the 1933 US Securities Act or under the securities laws of any federal state of the United States of America. Units of the Fund may not be offered or sold in the US or to US persons or for their account. Applicants must demonstrate where appropriate that they are not**

**US persons, and that they are not acquiring units on behalf of US persons or intending to transfer them to US persons. US persons are persons who are United States nationals or who are established and/or subject to taxation in the USA. US persons may also be partnerships or companies established in accordance with the laws of the USA or a federal state, territory or dependency of the USA.**

## Rules of good conduct

The Company has undertaken to observe the code of conduct issued by the BVI Bundesverband Investment und Asset Management e.V., Frankfurt / Main. These rules establish a standard of good and responsible conduct in connection with the capital and rights of the investors. They illustrate how capital investment and management companies can fulfil their legal duties vis-à-vis investors and how they should represent the interests of these investors vis-à-vis third parties. If the need to amend the Sales Prospectus arises from these specifications, these amendments will be taken into account in the next edition of said publication.

The Company has drawn also up a strategy determining how and when voting rights associated with assets of the funds it manages should be exercised, such that these are used for the sole benefit of the fund or funds in question. A brief description of this strategy can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from Union Investment.

The Company is also required to act in the best interest of the funds it manages when executing trading decisions for the funds or forwarding trading orders to be carried out by other establishments. All appropriate measures should also be taken to achieve the best possible result for the respective fund, taking into account the stock exchange value, costs, speed and likelihood of execution and settlement, the scale and type of the order and all other aspects relevant to order execution. Against this backdrop, the Company has established a number of principles allowing it to achieve the best possible result, while also taking into account the above considerations. Information on these principles and significant amendments thereto can be found on the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) or requested directly from the Union Investment.

Furthermore, the Company has taken measures to protect investors from adverse effects arising from "market trading". This term describes the short-term trading of units, which impairs an investment fund's performance due to the volume and frequency of trading through transaction costs accruing at investment fund level. Against this backdrop, on the one hand, unit trading is regularly monitored and evaluated, while on the other, internal regulations have been issued for the employees of the Company, preventing the sale of Fund units within short time periods.

## Risk information

**Prior to any decision regarding the purchase of Fund units, investors should carefully read the following risk information, together with the other information contained in this Sales Prospectus, and take this into account in their investment decision. The incidence of one or more of these risks may, individually or together with other circumstances, negatively affect the performance of the Fund or of the assets held in the Fund, and thereby also negatively affect the unit value.**

**If investors sell units of the Fund at a time when the value of assets in the Fund has decreased compared to when the units were purchased, they will not get back the capital they invested in the Fund, either in whole or in part. Investors might lose part of their assets invested in the Fund. Capital growth cannot be guaranteed. The investor's risk is limited to the amount invested. Investors are not obliged to provide any supplementary funding in addition to the money invested.**

**In addition to the risks and uncertainties described below or elsewhere in the Sales Prospectus, the Fund's performance may also be affected by various other risks and uncertainties that are currently unknown. The order in which the risks are listed below does not reflect the likelihood or magnitude of the occurrence of each individual risk.**

### 1. Fund investment risks

Below is an outline of the risks typically associated with investing in a UCITS investment fund. These risks may have a negative effect on the unit value, the capital invested by the investor or

the duration of investment in the Fund as planned by the investor.

- Fluctuation of the Fund unit value

The unit value of the Fund is calculated by dividing the Fund's value by the number of units in circulation. In this way, the Fund's value is the sum of the market values of all the Fund's assets, less the sum of the market values of all the Fund's liabilities. The unit value of the Fund therefore depends on the value of the assets held in the Fund and the amount of liabilities of the Fund. If the value of these assets drops, or the value of the liabilities increases, the Fund unit value will fall accordingly.

- Impact of taxation on individual performance

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to change in future. For specific questions, particularly regarding individual tax situations, investors should contact their personal tax advisers.

- Risk of changes to the investment policy or the Terms of Contract

The Company may amend the Terms of Contract subject to BaFin approval. The amendment of the Terms of Contract may also result in changes to regulations relevant to investors. For instance, the Company may amend the Fund's investment policy or increase the costs to be charged to the Fund by changing the Terms of Contract. However, the Company may also change the investment policy within the legally and contractually permitted scope without the need for changing the Terms of Contract or requiring BaFin approval. As a result, the risks associated with the Fund may change.

- Risk of the delayed relay of information by the financial institute maintaining the securities account

Financial institutes relay certain information to investors so that they may exercise rights in connection with the units kept on their securities account. For example, this may include information on fund measures such as the merger of investment funds or extension of the duration of an investment fund. In the event of the delayed relay of information and/or due to postal delivery times, it is possible that relevant information may not reach investors on time, or that it may reach them at such a date that very little time is left for investors to make a decision (such as accepting a redemption offer free of charge) and send relevant orders to the financial institute maintaining the securities account. The time available to investors is generally reduced further, for organisational reasons, by the financial institute maintaining the securities account. This brings with it the risk that investors may make rash decisions due to time pressure, or may even result in their de facto exclusion from exercising their rights.

- Risk of change to the risk profile

The investor must accept that the specified risk profile of a fund may change at any time. Details are provided in the section entitled "Information on the risk profile of the Fund" in the general part of the Sales Prospectus.

- Risk of the suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to make such suspension necessary in the interests of the investors. Exceptional circumstances in this sense may include economic or political crises, unusually large volumes of redemption requests, or the closure of stock exchanges or markets, trade restrictions or other factors that affect the calculation of the unit value. Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the general public. During such periods, investors are not allowed to redeem their units. Even during periods when the redemption of units is suspended, the unit value may fall, for example, if the Company were forced to sell assets at less than their market value during this time. The unit value after the resumption of unit redemption may be lower than before suspension of the redemption.

The suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption, for example, if the Company terminates the management of the Fund in order for it to be liquidated. Investors may then be subject to the risks of not being able to keep to their planned holding period and not having access to substantial portions of the invested capital for an indefinite period.

- Risk of Fund liquidation

The Company is entitled to cease managing the Fund. The Company may fully liquidate the Fund once management has been discontinued. After a notice period of six months, the right of disposal over the Fund will pass to the depositary. This means that the investors incur the risk of being unable to complete their planned holding period. Upon transfer of the Fund to the depositary, the Fund may become subject to taxes other than German income tax. If the Fund units are removed from the securities account of the investor after termination of the liquidation procedure, the investor may become subject to income tax.

- Transfer of all the assets of the Fund to another investment fund (merger)

The Company may transfer all the assets of the Fund to another UCITS investment fund. In this case, investors may either (i) redeem their units or (ii) retain these with the result that they become investors in the absorbing fund or (iii) where possible, exchange these for units in a mutual fund with comparable investment principles, provided that the Company, or an associated undertaking, is managing such an investment fund with comparable investment principles. Investors must therefore make a new investment decision prior to any such transfer.

A redemption of units may give rise to income taxes. Upon exchanging units for units in an investment fund with comparable investment principles, the investor may be subject to taxes, for example, if the value of the units obtained exceeds the value of the old units at the time of acquisition.

- Profitability and achievement of the investment objectives of the investor

There can be no guarantee that investors will achieve their desired investment objectives. The unit value of the Fund may fall and lead to losses for the investor. No guarantees are given by the Company or third parties as to any particular minimum payment upon redemption or any particular investment performance of the Fund. In addition, any initial sales charge paid upon the acquisition of units or any redemption fee paid upon the sale of units may reduce or even wholly offset the performance of an investment, particularly if the investment is only held for a short duration. Investors may recover a lower amount than the amount originally invested.

### 2. Risks of negative performance of the Fund (market risk)

Below is an outline of the risks associated with investments in individual assets by the Fund. These risks may negatively affect the performance of the Fund or of the assets held in the Fund, and may thereby have a negative effect on the unit value and the capital invested by the investor.

- Risks of value fluctuation

The assets in which the Company invests for the account of the Fund are subject to risks. Losses may thus occur if the market value of the assets decreases in comparison to the cost price, or if spot and futures prices evolve differently.

- Capital market risk

The development of the market values of financial products particularly depends on capital market development, which is in turn influenced by the general situation of the global economy, as well as the economic and political conditions in individual countries. General price trends, particularly on stock markets, can also be affected by irrational factors such as mood swings, opinions and rumours. Fluctuations in prices and market values may also be caused by changes in interest rates, exchange rates or issuer credit ratings.

- Price change risk of equities

Experience shows that equities are subject to strong price fluctuations and thus also to the risk of price decreases. These price fluctuations are particularly affected by the profit performance of issuing companies and developments within the industry, as well as overall macroeconomic developments. Market confidence in the company concerned may also affect price development. This is particularly true of companies whose shares have only recently been admitted for trading on a stock exchange or other organised market, where even minor changes in forecasts can trigger dramatic price movements. If for a particular share, the volume of freely tradable shares that are held by a large number of shareholders ("free float") is low, then even minor buy or sell orders may have a substantial effect on the market price and lead to sizeable price fluctuations.

- Interest rate risk

Investing in fixed-rate transferable securities is connected with the possibility that the interest rate at the time of issuance of a transferable security might change. If the current interest rate increases compared to the interest at the time of issuance, fixed-rate transferable securities will generally decrease in value. In contrast, if the current interest rate falls, the price of fixed-rate transferable securities increases. These developments mean that the current yield of fixed-rate transferable securities roughly corresponds to the current interest rate. However, such fluctuations can have different consequences, depending on the (residual) maturity of fixed-rate transferable securities. On the one hand, fixed-rate transferable securities with short maturities bear lower price risks than those with long maturities. On the other hand, fixed-rate transferable securities with short maturities generally have smaller yields than those with long maturities. Money market instruments tend to involve lower price risks due to their short maturity of up to a maximum of 397 days. In addition, the interest rates of different, interest-related financial instruments denominated in the same currency and with a similar residual maturity, may undergo different developments.

- Price change risk of convertible bonds and warrant bonds

Convertible bonds and warrant bonds securitise the right to exchange bonds for shares or to acquire shares. The performance of convertible bonds and warrant bonds therefore depends on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of the convertible bond or warrant bond. Warrant bonds granting the issuer the right to pay the investor a predefined number of shares instead of repaying a nominal sum (reverse convertibles), are even more strongly dependent on the relevant share price.

- Risks associated with derivatives transactions

The purchase and sale of options, as well as the conclusion of futures or forward contracts or swaps, entail the following risks:

- Changes to the value of the underlying instruments can diminish the value of an option right or futures or forward contract. If the value is reduced to nil, the Company may be forced to relinquish the acquired rights. The Investment Fund may also suffer losses through value changes of an asset underlying a swap.
- The leveraging effect of options may have a greater impact on the Fund's assets than the direct purchase of the underlying instruments. The risk of loss may be impossible to determine at the time of concluding the transaction.
- There may be no liquid secondary market for a particular instrument at any particular time. A position in derivatives may then, under certain circumstances, be impossible to close profitably.
- The purchase of options carries the risk that the option may not be exercised because the prices of the underlying instruments do not progress as expected, such that the option premium paid by the sub-fund is forfeited. The sale of options entails the risk that the Investment Fund may be required to accept assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund would then suffer a loss amounting to the difference in price less the option premium received.
- Futures and forward contracts are associated with the risk that the Company is obliged, for the account of the Fund, to bear the difference between the price at the time of concluding the transaction and the market price at the time of settlement or maturity. This would cause the Fund to suffer losses. The risk of loss is impossible to determine at the time of concluding the futures or forward contract.
- A necessary quid-pro-quo transaction (closing out) is associated with costs.
- The forecasts made by the Company regarding the future performance of underlying assets, interest rates, prices and currency markets can subsequently prove themselves to have been incorrect.
- The assets underlying the derivatives could be impossible to buy or sell at a favourable time, or may have to be bought or sold at an unfavourable time.
- The use of derivatives may result in potential losses that, under certain circumstances, may be impossible to foresee and could actually exceed the margin payments.
- In the case of over-the-counter (OTC) transactions, the following risks may present themselves:
- There may be no organised market, such that the Company cannot or can only with difficulty sell the financial in-

struments acquired on the OTC market for the account of the Fund.

- Any quid-pro-quo transaction (offsetting) may be difficult, impossible or associated with significant costs due to individual agreements.

Derivatives may be used either for hedging capital market risks or for investment purposes. Similarly to the direct investment in transferable securities, this may increase exposure to equity, interest rate change, credit and currency risks. Such exposure may not necessarily be reflected in the relevant assets of a fund; however, the conclusion of such transactions may increase the Fund's risks.

- Leverage risk

Leverage is any method used by the Company to increase the Fund's degree of investment through loans, securities lending, leverage funding embedded in derivatives, or any other means. This may increase the potential market risk, and therewith the corresponding risk of loss: there is a risk that the earnings opportunities may not be realised and that losses will occur.

- Risks of securities lending transactions

If the Company grants a transferable securities loan for the account of the Fund, it transfers securities to a borrower who, at the end of the lending agreement, returns transferable securities of the same type, quantity and quality (securities lending). Although the borrower is required to provide collateral equalling at least the market price of the loaned transferable securities, plus any revenues arising therefrom and a surcharge whose amount is in line with market standards, and this borrower is also obliged to provide additional collateral, there remains the risk, in the event of the deterioration of his economic situation, that the Investment Fund may not be adequately covered due to value changes in the collateral and/or the loaned assets. In such cases, counterparty risk exists to the same degree as the lack of coverage.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

The Company agrees with each borrower that the latter shall return shares received through securities loans with sufficient time for the Company to be able to exercise the rights securitised in these shares (this does not apply to claims for profit payments); with respect to voting rights, the return of these shares is not required if the Company has been authorised by the borrower to exercise the voting rights associated with the loaned shares. In spite of these agreements with the relevant borrower, there is still a risk that the Company may not receive the loaned shares back from the borrower in time. Any damages arising therefrom will be the subject of claims for compensation by the Company against the relevant debtor.

For the entire duration of the agreement, the Company has no control over the loaned transferable securities. If the transferable security decreases in value over the duration of the agreement and the Company wishes to sell said security altogether, then it will need to terminate the lending agreement and await the completion of the customary process for transferring the loaned transferable securities to the custody account of the Fund before being able to give the selling order, with a potential loss for the Fund arising in the meantime.

- Risks of repurchase agreements

Repurchase agreements carry the risk that market movements up the time of repurchase of the transferable security may cause the purchase price paid by the lender to no longer reflect the value of the repurchased transferable securities. The lender then bears a counterparty risk equal to the difference, if the value of the included transferable securities falls below the purchase price paid by him. On the other hand, the borrower then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

Coverage for the aforementioned counterparty risk requires a separate agreement between the Company and the relevant counterparty. The Company has entered into such agreements with all relevant counterparties for repurchase agreements. These agreements stipulate that the aforementioned counterparty risk of repurchase transactions needs to reach a minimum level for collateral to be required. Collateral will, in that case, be provided through a securities transfer. Therefore, the counterparty risk borne by the Investment Fund in connection with repurchase agreements in transferable securities will not exceed the aforementioned minimum amount.

Counterparty risk may also exist if the Company has provided collateral to the counterparty, who has come to have excess coverage due to changes in the value of collateral and/or the transferable securities underlying the repurchase agreement, but the Company is not entitled to demand the return of the collateral because the aforementioned minimum amount has not been reached or the counterparty refuses to return the collateral in violation of the contract.

Notwithstanding the above, the extent of counterparty risk may not exceed 5% of the value of the Fund; in the event the counterparty is a credit institution established in the EU, an EEA country or a non-EU member state with equivalent prudential supervisory provisions, this restriction is set to 10%.

If the Company receives cash collateral for the account of the Investment Fund, there is a non-payment risk with respect to the relevant credit institution managing the account.

If the transferable securities included in the repurchase agreement should depreciate in value during the course of the contract and the Company should wish to sell these in order to limit its losses, then it can only do so by exercising the right of early termination. Any early termination of an agreement may have financial consequences for the Fund. In these cases, the Fund may also suffer a loss due to the fact that it must wait for the completion of the customary process of transferring the transferable securities to the custody account of the Fund before being able to issue a selling order.

- Risks related to receiving collateral

The Company receives collateral for derivative transactions, securities loans and repurchase transactions. Derivatives, loaned transferable securities or transferable securities included in a repurchase agreement may increase in value. If this is the case, the collateral provided may no longer be enough to fully cover the entitlement of the Company against the counterparty for delivery or return.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or money market funds with a short duration structure. However, the credit institution where the bank balances are held might default. Government bonds and money market funds could decrease in value. At the end of the agreement, the invested collateral could no longer be fully available, despite the Company's obligation to return it in the original amount on behalf of the Fund. The Company may then be required to add to the collateral, for the account of the Fund, so as to offset the loss suffered on the investment.

- Securitisation risk

Securitisation is a transaction or structure through which the credit risk associated with a claim or pool of claims is divided into tranches. The payments made in the context of such a transaction or structure depend on the realisation of the claim or of the claims contained in the pool. The precedence of tranches determines the allocation of losses over the duration of the transaction or structure.

In case of bundling claims into new transactions or structures that can then be sold on the market, the risks associated with the original claims are wholly or partly passed on, which could lead to a loss of transparency with respect to the existing risk structures, and an associated loss of risk awareness. Any full or partial default on the underlying claims may have a sizeable effect on the market value and/or marketability of the transactions or structures, and lead to a partial or even complete loss of their value.

- Inflation risk

Inflation carries a risk of depreciation for all assets. This also applies to the assets held in the Fund. The inflation rate may be higher than the capital growth of the Fund.

- Currency risk

Assets of the Fund may be denominated in a currency other than that of the Fund. The Fund will receive any income, reimbursements or proceeds from such investments in this other currency. If this currency decreases in value relative to the Fund's currency, the value of such investments will also fall, resulting in a drop in the value of the Fund's assets.

- Concentration risk

Where investments are concentrated in particular assets or markets, the Fund is especially dependent on the development of such assets or markets.

Pursuant to the investment policy, up to 35% of the Investment Fund's assets may be invested in debt obligations, note loans and money market instruments of one or several issuer(s). In such cases, the associated default risk (concentration risk) is heightened. This risk may increase further if the Special Terms of Contract of a fund stipulate that even more than 35% of its assets may be invested in the above-mentioned instruments of certain issuers.

- Risks associated with investing in investment units

The risks of investment funds, the units of which acquired for the Fund (target funds), are closely connected with the risks of the assets in these target funds or the investment strategies pursued by them. However, these risks can be reduced by diversifying the investments in the investment funds whose units are being acquired, as well as through diversification within this Fund.

As the managers of the individual target funds act independently of each other, it is possible for several target funds to act according to the same or opposite investment strategies. This may result in existing risks being built up and possible opportunities cancelling each other out.

The Company is not normally in a position to control the management of target funds. Their investment decisions do not necessarily have to conform to the assumptions or expectations of the Company.

Often, the Company may not be completely up-to-date on the current composition of the target funds. In the event that this composition does not meet the Management Company's assumptions or expectations, it may, where applicable, only be able to react with considerable delay by way of redeeming units of the target funds.

Open-end investment funds, units of which are acquired for the Fund, may also temporarily suspend the redemption of units. The Company would then be prevented from disposing of the units in the target fund by returning them to the Management Company or depositary of the target fund against payment of the redemption price. The Company website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)) provides information as to whether and to which extent the Fund holds units in target funds that have currently suspended the redemption of units.

- Risks resulting from the investment spectrum

In observance of the investment principles and restrictions laid down in the KAGB and the Terms of Contract, which provide for a broad framework for the Fund, the actual investment policy can also be geared towards acquiring assets by, for example, focusing on only a few sectors, markets or regions/countries. This concentration on a few specific investment sectors can be associated with certain risks (for example, restricted markets, high volatility within specific economic cycles). The annual report provides information on the content of the investment policy over the relevant reporting period.

### 3. Risks of reduced or increased Fund liquidity (liquidity risk)

Below is an outline of the risks that may restrict the liquidity of the Fund. These may cause the Fund to be temporarily or permanently unable to fulfil its payment obligations, or cause the Company to be temporarily or permanently unable to comply with redemption requests from investors. Investors may then be unable to realise their intended investment duration, and be unable to use their invested capital or parts thereof for an indefinite period of time. The materialisation of liquidity risks may also cause a decrease in the net asset value of the Fund (see the definition in the general part of the Sales Prospectus, in the section on "Issue and redemption price") and thereby a decrease in the unit value, for example, if the Company were forced to sell assets on behalf of the Funds at less than their market value, subject to legal restraints.

- Risk associated with investing in assets

The Fund may also acquire assets not admitted for trading on a stock exchange, or not admitted to trading or included in another organised market. In some situations it might be impossible to sell such assets except subject to considerable discounts or delays, if at all. In some cases, even the sale of assets admitted to a stock exchange may only be possible with sizeable discounts, or not at all, depending on market conditions, volumes, time frames and planned costs. Although the Fund may only acquire assets that can generally be liquidated at any time, it is possible that these assets may exhibit large fluctuations in price,

or that these may temporarily or permanently only be sold at a loss.

- Risk associated with funding liquidity

The Company may take out loans on behalf of the Fund. This involves the risk that the Company may be unable to take out the required loans, or can only do so at considerably less favourable conditions. Variable-interest loans can also have negative effects in the event of rising interest rates. Insufficient funding can affect the liquidity of the Fund, possibly forcing the Company to sell assets prematurely or at less favourable conditions than envisaged.

- Risks associated with increased volumes of redemptions or subscriptions

Buying and selling orders from investors add or remove liquidity to or from the Fund's assets. These inflows and outflows may result in a net gain or loss in the Fund's cash holdings. Such net gains or losses may cause the Fund manager to buy or sell assets, producing transaction costs. This applies in particular where the gains or losses cause the cash held by the Fund to exceed or fall below a threshold predefined by the Company. The associated transaction costs are charged to the Fund's assets and may affect the performance of the Fund. Cash gains may increase the Fund's liquidity and affect the performance of the Fund if the Company is unable to invest the cash at adequate conditions.

- Risks associated with public holidays in certain regions/countries

If investments are made for the Fund in other countries, then local holidays in such countries may lead to differences between the trading days at stock exchanges in such countries and the valuation days of the Fund. Potentially, on days that are not valuation days, the Fund may be unable to respond to market developments in such countries on the same day, or on valuation days that are not trading days in such countries, the fund may be unable to trade on local markets. This may prevent the Fund from selling assets within the required deadlines and/or against the desired prices. This could negatively affect the ability of the Fund to comply with redemption requests or other payment obligations.

### 4. Counterparty risks including credit risk and receivables risk

Below is an outline of the risks that may affect the Fund in connection with contractual relationships with another party (so-called counterparty). These present the risk that the contract partner may become unable to fulfil their obligations arising from the contract. These risks may be detrimental to the performance of the Fund and thereby have an adverse effect on the unit value and the capital invested by the investor.

- Default risk/counterparty risks (other than central counterparties)

The default of an issuer or contract partner (counterparty) against whom the Fund has outstanding claims, may produce a loss for the Fund. Issuer risk refers to the impact of particular developments concerning a given issuer that affect the price of a transferable security, in addition to the influence exerted by general trends in capital markets. Even when transferable securities are carefully selected, losses due to the financial collapse of issuers cannot be ruled out. The counterparty of a contract concluded for the account of the Fund may default either wholly or partly (counterparty risk). This applies to all contracts concluded for the account of the Fund.

- Risk associated with central counterparties

A central counterparty (CCP) may act as an intermediary on behalf of the Fund in particular transactions, in particular transactions with financial derivatives. In these cases, it will act as the buyer vis-à-vis the seller, and as the seller vis-à-vis the buyer. A CCP hedges its counterparty default risks through a range of protective mechanisms which enable it at all times to offset losses from concluded transactions, such as through so-called margin deposits (e.g. collateral). Despite such protective mechanisms, it is still possible for a CCP to default, which could also affect claims of the Company on behalf of the Fund. This could result in losses for the Fund which have not been hedged.

### 5. Operational and other risks to the Fund

Below is an outline of the risks that may arise e.g. due to inadequate internal processes or human or system errors on the part of the Company or third parties. These risks may be detrimental

to the performance of the Fund and thereby have an adverse effect on the unit value.

- Risks associated with criminal activities, abuses and natural disasters

The Fund may fall victim to fraud or other criminal activities. It may suffer losses as a result of misunderstandings or errors on the part of employees of the Company or third parties, or suffer damages due to external events, such as natural disasters.

- Country or transfer risk

There is a risk that foreign debtors, despite being solvent, may be unable to make payments in the required currency, on time or even at all, due to a lack of transfer capability or transfer readiness of their country of domicile, or for other reasons. As a result, payments to which the Company is entitled on behalf of the Fund, may, for example, be made in another currency or in a currency which is not (or no longer) convertible due to foreign exchange restrictions, or these payments may even not be made at all. If the debtor pays in another currency, this position will be subject to the currency risk described above.

- Legal and political risks

Investments may be made for the Fund in jurisdictions where German law does not apply, or where the competent court for disputes is outside Germany. The resulting rights and obligations of the Company on behalf of the Fund may be less advantageous to the Fund and/or investors than those in Germany. Political or legal developments, including changes to the legal framework in these jurisdictions, might be identified by the Company either too late or not at all, or result in restrictions on the admissible assets for acquisition, or on assets already acquired. Such situations may also be brought about by changes in the legal framework relating to the Company and/or the management of the Fund prevalent in Germany.

- Changes to the fiscal framework, tax risk

The information concerning taxation is based on the currently prevailing legal norms. It is intended for persons subject to unrestricted income or corporate income taxation in Germany. However, no assurance can be given that this tax treatment will not change as a result of legislation, case law or decrees issued by the tax authorities.

In addition, the investor bears the tax risk, especially that of flat-rate taxation, if the tax bases of the Investment Fund and/or the relevant unit class have been calculated incorrectly. The Company endeavours to reduce this risk, on the one hand, through application of the required diligence, and on the other hand, by commissioning an expert professional as defined in § 3 of the German Tax Advisory Act (*Steuerberatungsgesetz*) authorised to provide professional support and/or an auditing firm or similar agency approved by the authorities to examine and certify the tax bases of the Investment Fund.

Moreover, the incorrect calculation of the tax bases may result in the notice of assessment being changed, e.g. if the financial authorities conduct an external audit. The revised classification in case of a changed notice of assessment applies to the financial year in which the notice of assessment has ceased to be contestable regarding the differing amounts. The economic consequences of such changes must then be borne by the investors that are invested in the Investment Fund at that date, even if the changed assessments relate to periods in which such investors were not yet invested in the Investment Fund. This means that a change in the incorrectly determined tax basis of the Fund for past financial years may result in a correction with fiscal disadvantages for investors, in that the investors have to pay the tax burden arising from the correction for past financial years, even though they may not have been invested in the Investment Fund at that time. On the other hand, a situation may arise in which investors are no longer entitled to a positive correction made for the current and previous business years in which they were invested in the Investment Fund, as a result of a redemption or sale of units before that correction is implemented. Furthermore, a correction of tax data can also cause taxable earnings or fiscal benefits to be allocated to a different assessment period than should actually be the case, with negative consequences for a particular investor.

- Key person risk

If the investment result of the Fund in a particular period is extraordinarily positive, then this performance could also be related to the capabilities of the acting persons, i.e. the correct decisions of management. However, the composition of the Fund

management staff is subject to change. New decision-makers may possibly be less successful.

- Custody risk

The custody of assets, particularly abroad, is associated with a risk of loss, which can result from the insolvency, breach of duty of care or wrongful conduct of the Depositary or a sub-depositary.

The KAGB provides for far-reaching claims for compensation by the Company and investors in the event of the loss of an asset held in custody. However, these regulations do not apply if the depositary or a sub-depositary transferred the assets in question to a central depositary (e.g. Clearstream) for safekeeping.

In principle, the depositary is responsible for the loss of an asset held in the custody of this depositary or a sub-depositary. The Company has carefully selected the depositary. However, it cannot be ruled out that claims for compensation against the depositary cannot be met, either in part or in full.

The depositary does not have unlimited liability for the loss or destruction of assets which are held in other countries by other depositaries (see the section entitled "Functions and liability of the depositary" in the general part of the Sales Prospectus). With respect to bank balances held on a blocked deposit at a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

If the Company has agreed with the depositary that the sub-depositaries listed in the special part of the Sales Prospectus (in the section "Sub-depositaries") are liable for the custody of assets instead of the depositary, then the following should be noted: The Company does not select the sub-depositaries, nor does it monitor them. The careful selection and regular monitoring of the sub-depositaries is the responsibility of the depositary. As such, the Company cannot assess the creditworthiness of sub-depositaries. The creditworthiness of these sub-depositaries may differ from that of the depositary.

- Risk of non-compliance with the fiscal regulation for investment funds

The German Investment Tax Act (*Investmentsteuergesetz* — hereinafter: "InvStG") stipulates that up to the end of the financial year ending after 22 July 2016, the investment regulations and borrowing restrictions of the InvG must be complied with in order for funds to be taxed as investment funds. For financial years beginning after 22 July 2016, the InvStG prescribes its own investment regulations. Compliance with the fiscal investment regulations is particularly dependent on whether the Fund essentially holds units in other funds that themselves comply with the fiscal investment regulations. It cannot be ruled out that the Company may substantially infringe upon the investment regulations on behalf of the Fund. In the event of any substantial infringement of the investment regulations, the Fund shall be qualified as a capital investment company, with the result that it shall be subject to regular corporation and trade taxes, in addition to the distributions at investor-level being subject to taxation. The overall tax burden is typically greater in the case of taxation as a capital investment company than as an investment fund. For investors, investing in a capital investment company is associated with the risk of comparatively low after-tax returns.

- Risks associated with trading and clearing mechanisms (settlement risk)

When securities transactions are settled through an electronic system, there is a risk that the transaction may not be performed as anticipated. This risk may be higher with investments in unlisted transferable securities.

### Specific information on risks

Specific information on risks can be found in the section entitled "Specific risk information regarding the Fund" in the special part of the Sales Prospectus, if the Fund is exposed to such risks.

### Notes on the risk profile of the Fund

The existing assessment regarding the risk profile of the Investment Fund is expressed by the Company in the following risk classes:

- Low risk
- Moderate risk
- Increased risk
- High risk
- Very high risk, up to the complete consumption of capital.

The section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus states the risk class the Company has allocated to the Fund described in this Sales Prospectus.

#### Standard model for allocation to a risk class:

In principle, risk classes are allocated on the basis of a model which takes account of the risk factors of a fund, based on the investment policy described in the relevant valid sales prospectus and the risks inherent to a fund. However, not all potential risks are taken into account (see the section entitled "Risk information" in the general part of the Sales Prospectus), since some of the risks presented (e.g. inflation risks or key person risks) are not only influenced by the investment policy described in the sales prospectus of a fund, but are also exposed to other factors. Against this backdrop, the model used only evaluates the risks specified below: share price risk (market risk), interest rate risk, corporate risk (counterparty risk), currency risk, real estate risk, commodity risk, private equity risk, hedge fund risk, high yield risk, emerging markets risk (country and transfer risk), sector risk (concentration risk), country and regional risk, leverage risk (risk regarding derivative transactions), liquidity risk, counter-trend market risk.

An analysis is carried out on each investment fund to determine the extent to which it is exposed to the individual risk factors used. The results are then analysed, leading to an assessment of the Investment Fund's risk profile. In this, the following applies: the greater a risk factor, the more likely it is to have an influence on the performance of a fund.

It should be noted that in such an assessment, the respective risks are weighted differently. The weighting and assessment of risk is carried out on the basis of a retrospective view. This means that risks contained in a fund may actually affect its performance more significantly than is expressed by the assessment carried out on the risk profile. This is particularly the case when any risks contained in a fund have a more severe effect than was observed in the past.

In addition, it must be considered that assigning a risk class while taking into account the risk factors using the aforementioned model is not appropriate for funds bearing certain characteristics. Against this backdrop, guarantee funds and value-protected funds are classified as having moderate risk. For funds other than guarantee and value-protected funds that have particular characteristics that result in these being allocated to a risk class in derogation of the model described above, the Company will make special reference to the risk allocation of such funds.

**For the aforementioned reasons, it should be noted that the weighting of the individual risk factors, as well as the extent of each risk factor, may change over time due to new market conditions. Investors must therefore take into account that the allocation to a specified risk class may change over time. In particular, this may be the case when new market conditions persistently demonstrate that the individual risk factors should be weighted or assessed differently.**

**Therefore, the assessment of the Investment Fund's risk profile is not a guarantee for any actual gains or losses incurred by the Investment Fund.**

**If the standard model described above is not used to allocate the Investment Fund to a risk class, the alternative model used for the Investment Fund will be described in the section entitled "Risk class of the Investment Fund" in the special part of the Sales Prospectus.**

### Differences between the risk profiles in the Sales Prospectus and the KIID

A synthetic indicator will be stated in the section entitled "Risk and reward profile" of the KIID of the Fund/unit classes. The contents, form and structure of this KIID are governed by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and

of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website. This indicator includes a number of categories on a scale of 1–7. Classification on this scale is based solely on past volatility. If sufficient historical data is unavailable, volatility rates must be determined using suitable investment models. The indicator is also supplemented by an explanatory description of risks which are significant and not adequately covered by the indicator.

**The assessment regarding the risk profile of an investment fund set out in the special part of the Sales Prospectus in the section entitled "Risk class of the Investment Fund" is not comparable with the reference under "Risk and reward profile" in the KIID. In addition, the explanations concerning further risks provided there (which do not directly affect the classification, but may nonetheless be significant for the Fund or the relevant unit class) may differ from the risk information stated in the Sales Prospectus.**

Summary of significant differences:

- Unlike the 1–7 scale used in the KIID, the classification used by the Company in the Sales Prospectus has a total of five risk classes.
- The Company generally assigns a fund to a risk class in the Sales Prospectus on the basis of a (scoring) model in which certain risk factors associated with a fund are taken into account. The weighting and evaluation of these risks varies and is carried out on the basis of a retrospective view. The non-standard allocation of a risk class is possible if this is deemed appropriate and is expressly indicated. However, in the KIID, only past performance (volatility) is taken into account.
- Due to the different approaches for determining and explaining the risk profile to be disclosed in the KIID and in the Sales Prospectus, the reported risks also differ with regard to content.

### Investment principles, investment limits and investment objective

**The general part of this Sales Prospectus describes the general rules for acquiring assets and the use of investment instruments for UCITS investment funds, as well as the general investment limits applicable to UCITS investment funds. The special rules regarding the acquisition of assets and the use of investment instruments for the UCITS investment fund described in this Sales Prospectus, as well as the specific investment limits which apply to this Investment Fund can be found in the special part of this Sales Prospectus.**

**The section entitled "Investment objective" in the special part of this Sales Prospectus stipulates the objectives of the investment policy.**

**There is no guarantee that the objectives of the investment policy will in fact be achieved.**

### General rules regarding the acquisition of assets and investment instruments

- Transferable securities

The Company is authorised to acquire transferable securities of domestic and foreign issuers on behalf of the Fund:

1. provided these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading or included in any other organised market in any such state;
2. if these are admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin.

Recently issued transferable securities may be acquired, provided their terms of issue contain an undertaking that an application will be made for admission to official listing or inclusion on one of the stock exchanges or other regulated markets specified under items (1) or (2), and this admission or inclusion is secured within a year of issue.

The following shall also be considered transferable securities within this sense:

- Units in closed-end investment funds constituted as contractual funds or in the form of a company, which are subject to control by unitholders (so-called company control), i.e. unitholders must have voting rights regarding material decisions, as well as the right to monitor investment policies via adequate mechanisms. The Investment Fund must also be managed by a party who is subject to the laws on investor protection, unless the Investment Fund has been created in company form and the duties of asset management are not assumed by any other party.
- Financial instruments secured by other assets or linked to the performance of other assets. If derivative components are embedded in such financial instruments, then further requirements apply for the Company to be allowed to acquire them as transferable securities.
- Transferable securities may only be acquired under the following conditions:
  - The potential loss which may be suffered by the Fund may not exceed the purchase price of the transferable security. There must not be any obligation to provide additional funding.
  - The liquidity of the transferable security acquired by the Fund must not lead to the Fund becoming unable to fulfil the statutory requirements for the redemption of units. This applies without prejudice to the statutory right to suspend the redemption of units in specific cases (see the sections entitled "Redemption of units and redemption agent" and "Suspension of unit redemption" in the general part of the Prospectus).
  - A reliable assessment of the transferable security with exact, reliable and current prices must be available; this must either constitute market prices or result from an assessment system that is independent of the issuer of the transferable security.
  - Adequate information must be available on the transferable security, in the form of either regular, exact and comprehensive market information for the transferable security or an associated portfolio, as appropriate.
  - The transferable security must be tradable.
  - The acquisition of the transferable security must be in accordance with the investment objectives and strategy of the Fund.
  - The risks of the transferable security are adequately addressed by the Fund's risk management.
  - In addition, transferable securities may be acquired in the following forms:
    - shares to which the Fund is entitled in the event of a capital increase from company funds;
    - transferable securities purchased through the exercise of subscription rights held by the Fund.
    - Rights may also be acquired for the Fund as transferable securities within the above sense, provided that the transferable securities underlying these subscription rights may be held in the Fund.

• Money market instruments

On behalf of the Fund, the Company may invest in money market instruments that are commonly traded on the money market, as well as in interest-bearing transferable securities, which either

- have a maturity or residual maturity not exceeding 397 days at the time of acquisition for the Fund.
- have a maturity or residual maturity exceeding 397 days at the time of acquisition for the Fund, provided that pursuant to their terms of issue, their interest is regularly adjusted to the market situation at least once every 397 days.
- have a risk profile that corresponds to the risk profile of transferable securities that fulfil the criterion for residual maturity or interest adjustment.
- Money market instruments may be acquired for the Fund, provided these are:
  - (1) admitted to trading on a stock exchange of an EU member state or another EEA signatory state, or are admitted to trading or included in any other organised market in any such state;
  - (2) admitted to trading on a stock exchange or are admitted to trading or included in another organised market outside the EU or signatory states of the EEA Agreement, provided the choice of such stock exchange or organised market has been approved by BaFin;
  - (3) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal

state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;

- (4) issued by a company whose transferable securities are traded on one of the markets specified under points (1) and (2),
- (5) are issued or guaranteed by a credit institution subject to prudential supervision pursuant to the criteria established under EU law, or by a credit institution which is subject to and complies with prudential rules considered by BaFin to be equal to those of EU law;
- (6) issued by other bodies, provided such issuer is:
  - (a) a company with capital and reserves amounting to at least EUR 10 million, which prepares and publishes its annual accounts pursuant to the European Directive on the annual accounts of companies with limited liability, or
  - (b) a legal entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group, or
  - (c) a legal entity that issues money market instruments covered by obligations through the use of a banking liquidity line. These are products where credit claims of banks are securitised (so-called asset-backed transferable securities).

All the aforementioned money market instruments may only be acquired if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin. However, this does not apply if the Company is aware of circumstances indicating that the money market instrument may not be sufficiently liquid.

With respect to money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (3) to (6) above), the issuer or issuer of these instruments must in addition be subject to provisions on the protection of investors and savings. For such money market instruments, adequate information must be available to enable an adequate assessment of the credit risks associated with such instruments, and the money market instruments must also be freely transferable. The credit risks may be assessed e.g. through an analysis of creditworthiness by a rating agency.

These money market instruments are further subject to the following requirements, unless they have been issued or guaranteed by the European Central Bank or by the Central Bank of an EU member state:

- If these are issued by an institution as referred to under point (3) above:
  - the EU,
  - the German Federal Government,
  - a German federal government fund,
  - a German federal state,
  - another EU member state,
  - another national body,
  - the European Investment Bank,
  - a non-member state of the EU, or if such country is a federation of states, a member state of such federation,
  - a public international body, to which at least one EU member state belongs,

then adequate information must be available about the issue or issue programme or about the legal and financial situation of the issuer prior to the issue of the money market instrument.

- If these are issued or guaranteed by a credit institution subject to prudential supervision in the EEA (see point (5) above), adequate information must be available about the is-

sue or issue programme or about the legal and credit situation of the issuer prior to the issue of the money market instrument; such information must be updated at regular intervals and in the event of any material changes. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

- If these are issued by a credit institution that is subject to prudential rules outside the EEA, which are considered by BaFin to be equivalent to the provisions regulating credit institutions within the EEA, then one of the following conditions must be met:
  - the credit institution has a registered seat in a member state of the Organisation for Economic Co-operation and Development (OECD) that is also part of the so-called Group of Ten (G10, group of leading industrialised countries);
  - the credit institution has a rating that qualifies as "investment grade", as a minimum. "Investment grade" means a rating of "BBB" or "Baa" or higher, resulting from the analysis of creditworthiness performed by a rating agency.
  - A comprehensive analysis of the issuer may be used to demonstrate that the prudential rules applicable to the credit institution are at least as stringent as those under EU law.

With regard to other money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (see points (4) and (6) above, and the remaining items under point (3)), adequate information about the issue or issue programme, as well as about the legal and financial situation of the issuer, must be made available prior to the issue of the money market instrument, and must be updated at regular intervals, as well as in case of any material changes, by a qualified third party that is independent of the issuer. In addition, information must be available on the issue or issue programme (e.g. statistics) that enables an adequate assessment of the credit risks associated with the investment.

• Bank balances

The Company may only hold bank balances with a maximum term of 12 months on behalf of the Fund. Such credit balances shall be maintained on blocked accounts with credit institutions established in an EU member state or signatory state of the EEA Agreement. These may also be held with credit institutions established in a non-member state of the EU, provided the prudential rules in force in such a state are considered by BaFin to be equivalent to those of EU law.

- General investment limits for transferable securities and money market instruments (including in connection with the use of derivatives), as well as for bank balances

The Company may invest up to 10% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). The total value of the transferable securities and money market instruments from such issuers (borrowers) must not exceed 40% of the Fund. In addition, the Company may invest a maximum of 5% of the Fund's assets in transferable securities and money market instruments of the same issuer (borrower). Transferable securities received under repurchase agreements are counted towards this investment limit.

The Company may not invest more than 20% of the Fund's assets in bank balances at a single credit institution.

- Investment limit for bonds with particular coverage

The Company may invest up to 25% of the Fund's assets respectively in mortgage bonds, municipal bonds and bonds issued by credit institutions established in an EU member state or signatory state of the EEA Agreement. This is subject to the condition that the funds received with the bonds is invested so as to cover the liabilities of the bonds over their entire term, and are preferentially allocated to the payment of principal and interests in case of default of the bond issue. If the Fund invests more than 5% of its assets in such bonds issued by a single borrower, the total value of such bonds must not exceed 80% of the value of the Fund. Transferable securities received under repurchase agreements are counted towards this investment limit.

- Investment limits for public issuers

The Company may invest up to 35% of the Fund's assets respectively in bonds, borrower's note loans and money market instruments of special national and supranational public issuers. These public issuers include the German federal government, the German federal states, EU member states or their local au-

thorities, third countries and public supranational bodies to which at least one EU member state belongs.

- Combination of investment limits

The Company shall not invest more than 20% of the Investment Fund's assets in a combination of the following assets:

- transferable securities or money market instruments issued by a single body,
- deposits with such a body, i.e. bank balances
- amounts to be considered in the counterparty risk of the transactions concluded with such a body in connection with derivatives, securities loans and repurchase agreements.
- In the case of specific public issuers (see the section "Investment limits for public issuers"), the combined assets referred to in the previous sentence shall not exceed 35% of the Fund's assets. The relevant individual upper limits remain unaffected by this.

- Risks arising from the use of derivatives

The amounts of transferable securities and money market instruments of any individual issuer taken into account for the limits specified above may be reduced by the use of counter-market derivatives with transferable securities or money market instruments of this same issuer as their underlying assets. As a result, transferable securities or money market instruments of a single issuer may be purchased for the Fund in excess of said limits, provided the increased issuer risk is reduced by appropriate hedging transactions.

- Other assets and their investment limits:

Other investment instruments:

The Company may invest up to 10% of the Fund's assets in the following assets ("other investment instruments"):

- Transferable securities that are not admitted to trading on a stock exchange or admitted for trading or included in another organised market, but that do meet the criteria for transferable securities. In derogation to traded or admitted transferable securities, a reliable assessment must be available for these transferable securities in the form of an assessment undertaken at regular intervals, which is derived from information from the issuer or from an expert financial analysis. Adequate information must be available on a non-approved or non-included transferable security, in the form of regular, exact information from the Fund or the associated portfolio must be available, as appropriate.
- Money market instruments of issuers that do not meet the aforementioned requirements may be acquired only if they are liquid and their value can be exactly determined at all times. Money market instruments are considered liquid if they can be sold within a sufficiently short time at limited cost. In this, account must be taken of the Company's obligation to redeem units of the Fund upon request from investors, and to be able to sell such money market instruments within an appropriately short time in order to be able to fulfil this obligation. The money market instruments must in addition be subject to an exact, reliable assessment system which enables the determination of the net asset value of the money market instrument or is based on market data or valuation models, such as systems based on procurement costs. The criterion of liquidity is deemed to be fulfilled by money market instruments, if these have been admitted for trade on an organised market within the EEA or are included in such a market, or if these have been admitted for trade on an organised market outside the EEA or are included in such a market, provided that this choice of market has been approved by BaFin.
- Recently issued shares, provided that according to their terms of issue,
  - (a) their admission to listing on a stock exchange in an EU member state or other EEA signatory state, or their admission to or inclusion on an organised market of an EU member state or other EEA signatory state, is to be applied pursuant to the terms of issue, or
  - (b) their admission to listing on a stock exchange or admission to or inclusion on an organised market outside the EU or signatory states of the EEA Agreement is to be applied pursuant to the terms of issue, provided that this choice of stock exchange or organised market has been approved by BaFin; and provided this approval or inclusion is issued within one year from the issue.

- Borrower's note loans which can be assigned at least twice after being purchased for the Fund and have been granted by one of the following bodies:
  - (a) the German federal government, a German federal government fund, a German federal state, the EU or an OECD member state,
  - (b) another domestic authority or regional government or local authority of another EU member state or other EEA signatory state, provided that the claim may be treated as equivalent to a claim against the central state on whose territory the regional government or authority resides, pursuant to the Regulation on prudential requirements for credit institutions and investment firms,
  - (c) other bodies or public law institutions established in Germany or another EU member state or a signatory state of the EEA Agreement,
  - (d) companies, which have issued transferable securities that are admitted for trade on an organised market within the EEA, or that are admitted for trade on another regulated market that fulfils the material requirements for regulated markets as defined in the Markets in Financial Instruments Directive, as amended, or
  - (e) other borrowers, provided one of the bodies named under sections (a) to (c) above has guaranteed the payment of interest and repayment of principal.
- Investment limit for holdings in corporate entities in the form of transferable securities and other investment instruments:

The purchase of certain assets (which may be acquired as transferable securities or other investment instruments) may lead to the Company becoming a shareholder in corporate entities (e.g. public limited companies (*Aktiengesellschaft*) or limited liability companies (*GmbH*)). Such holdings in corporate entities may result, for example, from the purchase of listed shares. Holdings in a corporate entity that are acquired in the form of transferable securities and other investment instruments may not exceed 10% of the capital of the respective corporate entity. This restriction does not apply to holdings in companies whose corporate purpose is the generation of renewable energies pursuant to the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*). These include hydropower (e.g. wave power, tidal power, salt gradient energy and energy from currents), wind power, solar radiation energy, geothermal energy and biomass energy (including biogas, bio methane, landfill gas and sewer gas, as well as energy from biodegradable household and industrial waste).

#### • Investment units

The Company may only invest up to 10% of the Fund's assets in units of other investment funds unless this investment fund was in existence on 23 December 2013 and does not substantially infringe upon the provisions of the InvG, as amended on 21 July 2013 regarding investment limits and permissible assets, as well as the borrowing restrictions ("grandfather rules on taxation").

In addition, the Company may invest more than 10% of the Fund's assets in units of other investment funds, if the following conditions are met ("investment regulations on taxation"):

- The investment fund in which units are acquired (or its managing investment company) is subject in the country where it is established to the prudential supervision of collective investment schemes. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
- The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.
- In principle, investors may, at any time, exercise the right to redeem their units.
- At least 90% of the assets of the respective investment fund are invested in the following type of investments:
  - (a) transferable securities,
  - (b) money market instruments,
  - (c) derivatives,
  - (d) bank balances,
  - (e) units or shares in domestic or foreign investment funds that comply with the investment regulations on taxation or fall under the scope of grandfather rules on taxation.
  - (f) holdings in corporate entities, if the market value of these holdings can be determined, and
  - (g) unsecured loan claims for which a borrowers' note has been issued.

- Within the framework of the investment limits for the respective investment fund, up to 20% of the respective investment fund's assets may be invested in holdings in corporate entities, which are neither admitted to trading on a stock exchange nor admitted to trading or included in another organised market.
- The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.
- A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.
- If the respective investment fund is an AIF, its terms of contract must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations.

#### Additional provisions for the acquisition of investment units

The Company may invest on behalf of the Investment Fund in units of UCITS and units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS ("target funds").

These target funds may only be acquired on behalf of the Investment Fund if, pursuant to their terms of contract or articles of association, they may only invest up to 10% of their assets in units of other domestic investment funds and investment companies with variable capital or foreign open-end AIF. No more than 20% of the Fund's assets may be invested in units of a single target fund. No more than 30% of the Fund's assets may be invested overall in units of other domestic investment funds and investment companies with variable capital or foreign open-end investment funds, which are not units of EU UCITS. The Company may not acquire, for the Fund, more than 25% of the total units issued by any one target fund.

In addition, the following requirements apply to the acquisition of units that are not units of UCITS, but are units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds, all of which are not units of EU UCITS:

- The target fund must have been approved in accordance with statutory rules subjecting it to effective prudential supervision for the protection of investors, and there must be adequate provision for ensuring cooperation between supervisory authorities.
- The level of protection provided to investors must be equivalent to that enjoyed by an investor of a domestic UCITS, in particular with regard to the segregation of assets, lending and borrowing, as well as the short-selling of transferable securities and money market instruments.
- The business operations of the target fund must be the subject of annual and half-yearly reports that permit investors to form an assessment of the assets and liabilities, as well as the income and operations, over the reporting period.
- The target fund must be an open-end mutual fund whose units are not limited in number and investors must have the right to redeem their units in this fund.

#### • Derivatives

The Company may enter into derivatives transactions on behalf of the Investment Fund. Details of the applicable rules and the selected approach to derivative usage can be found in the special part of the Sales Prospectus.

#### • Transferable securities lending transactions

The Company intends to engage in transferable securities lending transactions for the account of the Fund. The transferable securities held in the Fund may be transferred to a third party (borrower) as a loan against market-appropriate compensation (securities lending). Securities loans are transacted by the Company in order to additionally achieve gains for the Investment Fund. The Fund's entire holdings of transferable securities may be transferred to third parties as a securities loan only for an unspecified duration. The Company shall be entitled to terminate any securities lending transactions it has concluded at any time. Upon conclusion of the securities lending contract, it must be agreed that transferable securities of a similar kind, quality and quantity must be returned to the Fund within the customary deadlines upon termination of the lending period. All transferable securities transferred to an individual borrower or group companies must not exceed 10% of the Investment Fund's assets.

A condition for the transfer of transferable securities by way of lending to a borrower is that the Fund is provided with adequate collateral. Collateral is provided by the borrower in the following forms: cash payments, the pledging or assignment of credit balances, or the transfer or assignment of transferable securities or money market instruments. The Fund is entitled to all income from the investment of this collateral.

The Company may use an organised system for the brokering and processing of transferable securities lending transactions. If the transferable securities lending transactions are brokered and settled using the organised system, the provision of collateral may be waived, since the requirements of this system guarantee the protection of the interests of investors. When transferable securities lending transactions are settled using organised systems, the transferable securities lent to borrowers may exceed 10% of the Fund's assets.

The borrower shall be obliged to pay the income derived from the transferable securities received on loan to the depositary for the account of the Fund.

The Company is not authorised to lend money to third parties on behalf of the Fund.

- **Repurchase agreements**

The Company intends to engage in repurchase agreements for the account of the Fund. It may enter into repurchase agreements with credit institutions and financial service providers with a maximum term of 12 months on behalf of the Fund. It may both transfer the Fund's transferable securities against compensation to a buyer (simple repurchase agreement) or buy transferable securities under the scope of repurchase agreements within the respective investment limits (reverse repurchase agreement). The Company shall be entitled to terminate the repurchase agreement at any time, except in the case of repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company shall be entitled to recall the transferable securities lent. Termination of a reverse repurchase agreement may lead to either the repayment of the full amount or the accrued amount at the current market value. Repurchase agreements are only permissible in the form of genuine repurchase agreements. In these, the buyer accepts the obligation to return the transferable securities at a fixed date or at a date to be determined by the seller, or to repay the amount in money plus interest.

## Collateral strategy

Within the scope of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept collateral on behalf of the Fund. The collateral serves to wholly or partly eliminate the risk of default of the counterparty in these transactions.

### Permitted types of collateral

For the purposes of OTC derivatives transactions, securities lending transactions and repurchase agreements, the Company will accept all permitted types of assets (transferable securities, money market instruments and bank balances) as collateral on behalf of the Fund. The collateral provided may also include assets that the Fund is not permitted to acquire under its own terms of contract.

Whenever the Company receives collateral on behalf of the Fund, the following criteria shall always be fulfilled:

1. The collateral provided shall consist of assets that may be acquired on behalf of the Investment Fund pursuant to the provisions of the KAGB.
2. The collateral provided shall be highly liquid; assets other than cash shall be deemed highly liquid if they can be sold at short notice at a price approaching their true valuation, and are traded on a market with appropriate liquidity and with transparent pricing.
3. The collateral provided shall be subject to valuation at least once per trading day.
4. The collateral provided must have been issued by borrowers with high credit ratings. Where appropriate, further reductions in valuation will be undertaken pursuant to the existing haircut strategy, if the credit rating is not the highest and prices are volatile.
5. The collateral provided must not have been issued by a borrower who is himself a counterparty or affiliated company as defined in § 290 of the German Commercial Code (*Handelsgesetzbuch* — hereinafter: "HGB").

6. The collateral provided must exhibit appropriate risk spreading in terms of countries, markets and issuers. Appropriate diversification in terms of issuer concentration shall be assumed to exist, if the value of the collateral provided that is issued by a single issuer does not exceed 20% of the Investment Fund's assets. Collateral from the same issuer resulting from separate transactions shall be consolidated; its aggregate value must not exceed 20% of the Investment Fund's assets.
7. The Company may deviate from the above restriction on behalf of the Investment Fund, if the Investment Fund is collateralised using transferable securities or money market instruments that are issued or guaranteed by an EU member state or one or more of its local authorities, a non-EU member state or a public international body to which one or more EU member states belong. If this is the case, the Investment Fund shall hold transferable securities from at least six different issues. The value of the transferable securities from a single issue may not exceed 30% of the Investment Fund's assets. There is no restriction to certain EU member states, local authorities or public international bodies with respect to the issuer of transferable securities and money market instruments that may be accepted as collateral for up to 20% of the Investment Fund's assets.
8. No collateral provided may present any material operational or legal risk in terms of management or custody.
9. All collateral provided shall either be held by a depositary that is subject to effective prudential supervision and independent of the provider of the collateral, or shall be legally protected against counterparty default, to the extent that it has not been transferred.
10. The collateral provided may be examined by the Company even without the consent of the respective provider of the collateral in question.
11. All collateral provided may be realised without delay as needed on behalf of the Fund, and
12. all collateral provided shall be subject to legal provisions for the event of the insolvency of the collateral provider.

### Scope of collateral provided

Transferable securities lending transactions shall be fully collateralised. The collateral value is the sum of the market price of the transferable securities on loan plus the associated revenues. The collateral provided by the borrower must not be less than the collateral value plus a customary surcharge.

Furthermore, OTC derivatives transactions, securities lending transactions and repurchase agreements must be collateralised for an amount that ensures that the capital surcharge for default risk of the relevant counterparty does not exceed 5% of the Fund's assets. If the counterparty is a credit institution established in an EU member state or signatory state of the EEA Agreement, or in a non-EU member state where equivalent prudential supervisory provisions are in force, then the capital surcharge for the default risk may equal up to 10% of the Fund's assets.

### Haircut strategy

Where a counterparty is required to provide collateral in connection with OTC derivatives, a percentage amount shall be deducted from the current market value of the collateral provided ("haircut"). The haircuts shall be agreed with the counterparty in accordance with haircut strategy followed by the Company. When determining the appropriate haircuts in connection with the haircut strategy, the Company takes account of the nature of the collateral provided (so-called asset classes) and the instrument-specific characteristics of the assets received, particularly issuer credit rating and price volatility. Generally, the above also applies to securities lending transactions and repurchase agreements.

Where a haircut is not undertaken in connection with the provision of collateral in securities lending transactions and repurchase agreements, the collateral provided by the counterparty shall not be counted towards the maximum permitted counterparty risk.

The written haircut strategy will be regularly reviewed by the Company and adjusted where appropriate.

If the Company receives more than 30% of the Investment Fund's assets in collateral on behalf of the Investment Fund, appropriate stress tests shall also be performed as per the stress-test strategy. In both normal and exceptional liquidity conditions, regular stress tests are undertaken to assess the liquidity risk associated with the collateral received for the Investment Fund.

## Investment of collateral and associated risks

- **Bank balances:**

Collateral in the form of bank balances shall be held in the currency of the balance in blocked accounts with the depositary or, with the consent of the depositary, with other credit institutions established in an EU member state or other EEA signatory state, or with other credit institutions established in a non-EU member state whose prudential supervisory provisions are deemed by the supervisory authority to be equivalent to those of EU law, or invested in bonds of high quality issued by the German federal government, a German federal state, the European Union, an EU member state or its local authorities, another EEA signatory state, or a non-EU member state, in money market funds with a short maturity structure in accordance with the guidelines issued by the supervisory authority pursuant to § 4(2) KAGB, or in reverse repurchase agreements with a credit institution ensuring prompt repayment of the accrued balance at all times.

Reinvestments of collateral in the aforementioned bonds and short-term money market funds are associated with a risk of price loss. In particular, bond price losses may ensue as a result of the deterioration of the issuer's solvency.

With respect to bank balances held on a blocked account kept with a credit institution, there is a fundamental risk of loss in the event of the insolvency of the credit institution managing the account. Pursuant to the diversification requirement to be observed by the Company, the maximum loss per insolvent credit institution amounts to 20% of the Investment Fund's net asset value. If the credit institution managing the account is a member of the protection scheme of the National Association of German Cooperative Banks (*Bundesverband der Deutschen Volksbanken und Raiffeisenbanken*), then any balances held there are fully protected from loss through the guarantee provided by the aforementioned safety facility.

Reverse repurchase agreements carry the risk that market movements until the time of repurchase of the transferable security may cause the purchase price paid by the Company to no longer reflect the value of the repurchased transferable securities. The Investment Fund then bears a counterparty risk equal to the difference, if the value of the included transferable securities rises higher than the purchase price received by him.

- **Other collateral:**

Collateral in the form of transferable securities and money market instruments will not be reused and, in particular, not sold, transferred, pledged or invested.

- **Collateral risks:**

Any risks related to collateral management, in particular operational and legal risks, are identified, assessed and controlled by the Company's risk management.

## Borrowing

Taking out short-term loans for the joint account of the investors shall be admissible for up to 10% of the Fund's assets, provided the terms of the loan are customary for the market and the depositary agrees to the loan.

## Asset valuation rules

### General valuation rules

1. Assets admitted to trading on stock exchanges or admitted to trading or included in another organised market, as well as subscription rights for the Investment Fund shall in principle be valued at the latest available trade price that provides a reliable valuation, unless otherwise specified in the section "Specific rules for the valuation of individual assets". For this purpose, when valuing assets listed on several stock exchanges, the home stock exchange or the exchange with the highest liquidity will generally be used. For example, domestic equities shall generally be based on Xetra closing prices.
2. Assets neither admitted to trading on stock exchanges nor admitted to trading or included in another organised market nor featuring any trade or market-standard prices shall in principle be valued at current market prices that are deemed appropriate in line with careful estimates based on suitable valuation models, taking into account the current market situation, unless otherwise specified below in the section "Specific rules for the valuation of individual assets". In exceptional cases, the market price shall be ascertained based on sufficiently plausible information provided by an issuer, counterparty or other third party.

### Specific rules for the valuation of individual asset

1. Option rights of the Investment Fund and the liabilities resulting from option rights granted to a third party, which are admitted to trading on a stock exchange or admitted to trading or included in another organised market, shall be valued at the relevant latest trade price which provides a reliable valuation.
2. The provisions above shall also apply to claims and liabilities resulting from futures and forward contracts concluded on behalf of the Investment Fund. The contribution margins charged to the Investment Fund shall be added to the value of the Investment Fund, taking into consideration the valuation gains and losses of the trading day.
3. Bank balances shall in principle be valued at their par value, plus accrued interest.
4. Units in investment funds are, in principle, set at their latest redemption price or at their latest available trade price which allows a reliable valuation. If these values are not available, the investment fund units shall be valued at the current market price deemed appropriate in line with careful estimates based on suitable valuation models giving consideration to current market conditions.
5. Concerning the repayment claims resulting from securities lending transactions, the relevant redemption price of the transferable securities transferred in the lending process shall be applied.
6. Assets denominated in a foreign currency shall be converted into EUR at the exchange rate as determined by WM/Reuters fixing at 17:00 (16:00 GMT) of the same day.
7. Term deposits are valued at market value if a corresponding contract has been concluded between the Company and the relevant credit institution specifying that the term deposits may be called at any time and that repayment in case of termination is not based on the par value plus interest. The market interest rate to be used for calculating the yield value shall be specified in each individual case. The appropriate interest receivables shall also be added. Term deposits which are not callable at any time will be valued at par value plus interest.

In exceptional cases, the Company shall be allowed to deviate from the general and specific valuation rules if, in view of the market situation, it considers this to be necessary in the interests of the investors. In case of irregularities in the supply of prices, e.g. due to specific market events, a pricing committee will convene, including representatives of Company management, to decide the assessment method to be applied.

### Units

Upon creation of the Fund, the rights of investors were set out exclusively in global certificates, unless a specific reference is made in the special part of this Sales Prospectus to the issue of unit certificates ("physical securities") (see the section "Investment funds, launch date and duration"). The Company has decided that no new physical securities will be issued. This means that the purchase of units shall only be possible from now on in depositary form. The rights of unitholders in possession of physical securities shall remain unaffected.

The global certificates are stored at a transferable securities collection bank. The unitholders are not entitled to the physical delivery of unit certificates. Unit certificates are in bearer form and are issued for one unit or several units. The transfer of a unit certificate also transfers the rights chartered therein.

### Issue of units and issuing agent

In principle, there is no restriction as to the number of units issued. Units may be purchased through Union Investment Service Bank AG, the depositary (issuing agent) and at the sales agents and paying agents listed at the end of the Sales Prospectus. They are issued by the depositary at the issue price, which corresponds to the net asset value per unit (unit value), as the case may be, in addition to an initial sales charge. The Company reserves the right to suspend the issue of units either temporarily or definitively. Should this occur, any direct debit authorisations to purchase units may not be acted upon.

If an initial sales charge is set for the Investment Fund or for individual classes of units described in this Sales Prospectus, the details thereof will be in the section entitled "Initial sales charge and issue costs" in the special part of the Sales Prospectus.

If the Company sets a minimum investment amount for the purchase of units, the details thereof shall be found in the "Market-

ing and minimum investment" section of the special part of this Sales Prospectus.

### Redemption of units and redemption agent

Investors may request the redemption of units on any valuation day, regardless of any minimum investment amount, unless the Company has temporarily suspended the redemption of units (see the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus). Redemption applications may be filed with the depositary, the sales agents and paying agents listed at the end of the Sales Prospectus or, if units are held in custody by UnionDepot, through Union Investment Service Bank AG. The redemption agent is the depositary. The Company is obliged to redeem the units at the relevant applicable redemption price, which shall correspond to the unit value less a redemption fee, as the case may be.

The Company will inform any party interested in purchasing a unit of the Fund and all existing unitholders whether the Fund is invested on a significant scale in target fund units which have in turn suspended the redemption of units. Corresponding information may be obtained from Union Investment (tel.: +49 (0)69 58998-6060, e-mail: service@union-investment.de) in electronic or written form or may be viewed on the homepage of the Company (which is accessible via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)). If a contact office is specified in the special part of this Sales Prospectus, you may also obtain this information via the telephone and fax numbers, as well as the Contact Office's website, specified therein.

### Settlement in relation to the issue and redemption of units, confirmation of order execution

Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).

Unless otherwise specified in the special part of this Sales Prospectus in the section entitled "Specific incoming orders" regarding the cut-off time, the following rules shall apply to the cut-off time:

Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day. The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (these being bank working days in Frankfurt / Main) of the relevant valuation day.

Confirmation of the execution of unit calls and unit redemptions and further information relating to the status of order execution will be provided by Union Investment Service Bank AG if units are held in custody by UnionDepot or, if the units are held in custody elsewhere, by the relevant agent maintaining the securities account.

On trading days that are public holidays within the scope of the KAGB, and on 24 and 31 December of each year, the Company and the depositary need not determine the value. The precise days on which the value need not be determined are listed in the section entitled "Issue and redemption price" in the general part of the Sales Prospectus.

### Suspension of unit redemption

The Company may temporarily suspend the redemption of units in the event of extraordinary circumstances which appear to require such suspension in the interests of the investors. Such ex-

traordinary circumstances include, for example, instances in which a stock exchange, on which a significant part of the Fund's transferable securities are traded, is closed unexpectedly or the Fund's assets cannot be valued. In particular, the Company may also be forced to suspend redemption if one or more funds whose units have been acquired for the Fund suspend the redemption of units on their part.

Moreover, BaFin may instruct the Company to suspend the redemption of units if this is deemed necessary in the interests of the investors or the public.

If the redemption of units is suspended, any direct debit authorisations to purchase units may not be acted upon.

The Company reserves the right to redeem or exchange units at the respective price valid at the time after promptly selling fund assets, provided that the interests of all investors are protected. The temporary suspension of unit redemption may be immediately followed by the liquidation of the investment fund, without the resumption of unit redemption (for more details, refer to the section entitled "Liquidation and merger of the Fund" of the general part of the Sales Prospectus).

Union Investment shall give notice to investors regarding the suspension and resumption of unit redemptions via publication in the German Federal Gazette and additionally in a financial or daily newspaper with sufficient circulation or on Union Investment's website (which can be accessed via [www.privatkunden.union-investment.de](http://www.privatkunden.union-investment.de)) or on the website of the Contact Office (where specified in the special part of the Sales Prospectus). Investors shall also be informed by the agent maintaining their securities account via hard copy or in electronic form.

### Liquidity management

Principles of the liquidity risk management

The Company has laid down the following written principles and procedures enabling it to monitor liquidity risks:

The investment strategy described in the special part of the Sales Prospectus (see section entitled "Investment principles"), results in the following liquidity profile for the Fund: The liquidity profile of a fund is determined by its structure in terms of the assets and liabilities contained in the fund, as well as the investor structure of the fund. The Fund's liquidity profile thus results from this information, taken as a whole. In connection with the assets and liabilities of the Fund, the liquidity profile of the Fund is based on liquidity estimates for each of the individual investment instruments and their contribution to the portfolio. For each investment instrument, a range of factors such as trading volumes, credit rating or type of instrument are taken into account, as well as a qualitative analysis where appropriate.

The Company has defined the redemption principles as given in the general part of the Sales Prospectus, in the section entitled "Redemption of units and redemption agent".

The Company monitors the liquidity risks at Fund level in a multi-stage process. Liquidity information is produced both for the underlying investment instruments in the Fund and for cash inflow and outflow. In addition to ongoing monitoring of the liquidity situation based on indicators, scenario-based simulations are undertaken. These examine the effects that different assumptions about asset liquidity in the Fund will have on the capacity to handle the simulated cash outflows. Both quantitative and qualitative factors will then be used to produce an overall estimate of the Fund's liquidity risk.

The Company regularly reviews these rules and updates them as appropriate.

The Company defines appropriate limits for the liquidity and non-liquidity of the Fund. Periodic fluctuations are possible. The Company takes preventive liquidity measures and has a liquidity control procedure in place to assess the quantitative and qualitative risks of positions and proposed investments that could have a material impact on the liquidity profile of the Fund's portfolio. These procedures aim at implementing the existing and continuously updated knowledge and experience of the Company about the liquidity of the assets in which the Fund has invested or proposes to invest, including (where appropriate) information about trading volumes, price sensitivity, and – depending on the case – about the spread of individual assets in both normal and exceptional liquidity situations.

The Company conducts regular stress tests in accordance with the statutory requirements, currently at least once per year, which it can use to assess the liquidity risks of the Fund. The Company conducts these stress tests based on reliable, up-to-date quantitative information or – if required – qualitative information. These include the investment strategy, redemption peri-

ods, payment obligations and periods during which assets may be sold, as well as specific information about general investor behaviour and market developments, where appropriate. The stress tests simulate a situation of lacking liquidity of the assets in the Fund, as well as atypical redemption requests. They cover market risks and their effects, including the effects of margin calls, collateral calls or credit lines. They also take account of valuation sensitivities under stress conditions. Furthermore, they are performed with a frequency appropriate for the Fund and take account of the investment strategy, liquidity profile, investor profile and redemption principles of the Fund.

## Stock exchanges and markets

The Investment Fund's units are not currently listed on a stock exchange and are not traded on an organised market or included in such a market. However, the possibility cannot be ruled out that units will also be traded on other markets. Third parties may offer units for inclusion in free trading or another type of OTC trading without the consent of the Company.

The market price forming the basis for stock market dealings or trading on other markets is not determined exclusively by the value of the assets kept in the Fund, but also by supply and demand. This market price can therefore differ from the unit price.

## Fair treatment of investors

The Company shall treat investors in the Fund in a "fair" manner. This means that when controlling the liquidity risk and the redemption of units, the interests of any particular investor or group of investors will not be given priority over the interests of any other investor or group of investors.

For more information on the procedures implemented by the Company to ensure the fair treatment of investors, see the sections "Settlement of issue and redemption of units, confirmation of order execution" and "Liquidity management" in the general part of the Sales Prospectus.

## Issue and redemption price

When calculating the issue price and the redemption price for the units, on each trading day the Company determines the value of the assets included in the Investment Fund less its liabilities (net asset value), acting under the supervision of the depository.

The value of each unit (unit value) is obtained by dividing the net asset value thus obtained by the number of units issued.

If unit classes are created for the Fund, the unit value for each unit class shall be calculated separately by exclusively attributing the costs for the launch of new unit classes, any distributions (including any taxes to be paid out of the Fund's assets), the management fee and/or the results of currency hedging transactions related to a certain unit class, including any income adjustment, to the relevant unit classes.

The value of the Fund's units is calculated on every trading day. On trading days that are public holidays for the purposes of the KAGB, and on 24 and 31 December of each year, the Company and the depository need not determine this value. Units will not be valued on New Year's Day, Good Friday, Easter Day, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi Day, German Unity Day, Christmas Eve, Christmas Day, Boxing Day and New Year's Eve. It is left to the discretion of the Company and the depository to decide whether the unit value shall be determined on additional public holidays which are trading days in future, or not.

## Suspension of the calculation of issue/redemption price

The Company may temporarily suspend the calculation of the issue and redemption price under the same conditions as the redemption of units. These are specified in greater detail in the section entitled "Suspension of unit redemption" in the general part of the Sales Prospectus.

## Publication of the issue and redemption prices

Issue and redemption prices are published regularly on Union Investment's website (which can be accessed via [www.pri-ivatkunden.union-investment.de](http://www.pri-ivatkunden.union-investment.de)). If a Contact Office is specified in the general part of the Sales Prospectus, the Company may also publish the issue and redemption prices on the website of the Contact Office, as specified therein. They are also available from the depository. In addition, issue and redemption prices

may also be published in a financial or daily newspaper with sufficient circulation.

## Costs relating to the issue and redemption of units

Information relating to issue costs and any redemption fees levied can be found in the special part of the Sales Prospectus.

Units may be issued and redeemed through Union Investment Service Bank AG and through the depository at the issue price (unit value plus initial sales charge, if applicable) or the redemption price (unit value less redemption fee if applicable) without any additional costs.

If units are returned via third parties, additional costs may be incurred in relation to the redemption of these units. If units are sold via third parties, higher costs may be charged in addition to the issue price.

## Charges

### Fees payable to the Company:

1. The Company shall receive a daily fee for managing the Investment Fund. The amount of this management fee as a percentage of the net asset value of the Investment Fund or of the respective class established on each trading day is listed in the section entitled "Costs" in the special part of this Sales Prospectus. The Company is free to charge a lower management fee for the Investment Fund or for one or several unit classes or to abstain from charging a management fee. If the Company launches unit classes, it shall specify the individual management fees levied in the special part of the Sales Prospectus and in the annual and half-yearly reports.
2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company shall receive a flat fee of up to 49% of the income from these transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. At present, a flat fee of 49% is applied for arranging, preparing and conducting securities lending and repurchase transactions for the Investment Fund.
3. Furthermore, the Company receives a daily flat fee from the Investment Fund. The amount of the flat fee as a percentage of the net asset value of the Investment Fund established on each trading day is listed in the section entitled "Costs" in the special part of the Sales Prospectus. The flat fee covers the following payments and expenses for third parties, which are not charged separately to the Investment Fund:
  - (a) depository fee;
  - (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
  - (c) costs of the auditing of the Investment Fund by its independent auditors;
  - (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
  - (e) costs of appointing voting proxies;
  - (f) costs of data provision and maintenance;
  - (g) reporting costs;
  - (h) costs in connection with the accounting services of the Investment Fund;
  - (i) costs in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee applied in the section entitled "Costs" in the special part of the Sales Prospectus and in the annual and half-yearly reports.

### Fees payable to third parties:

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the section entitled "Costs" in the special part of the Sales Prospectus.
5. The amount deducted as fees from the Investment Fund or unit class in accordance with sections (1), (3) and (4) above may not exceed a total maximum annual figure. The amount of this maximum figure is listed in the section entitled "Costs" in the special part of this Sales Prospectus as a percentage of the net asset value of the Investment Fund or unit class per trading day.

## Performance fee:

### 6. Performance fee

If a performance fee is set out in the Special Terms of Contract of the Investment Fund, the rules regarding this fee (particularly the definition of "performance fee", the amount, the performance calculation, the calculation period and the benchmark index) can be found in the section entitled "Costs" in the special part of the Sales Prospectus.

### Other expenses:

7. In addition to said remunerations, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

### Transaction costs:

8. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

### Risks in connection with the acquisition and redemption of investment units:

9. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substantive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

### Additional remarks:

In addition to the fee for managing the Investment Fund or the respective unit classes, a management fee is also charged for the units held in the Investment Fund. The Company does not receive any refunds from the remunerations and reimbursements of expenses paid from the Fund to the depository and third parties.

Union Investment gives part of the initial sales charge – if levied – and the management fee to its distribution partners as commission payments for their brokerage services. Depending on the distribution channel, the amount of the distribution costs may be measured in relation to the Fund volume brokered. In this way, a substantial part of the initial sales charge and management fee can be passed on to the distribution partners of Union Investment in the form of commission payments. Union Investment also grants its distribution partners further contributions in the form of supportive benefits in kind (e.g. employee training) and, where appropriate, performance bonuses which are likewise connected to the distribution performance of those partners. The granting of such benefits in kind will not conflict with the interests of investors, but are intended to maintain and further improve the quality of services provided by the distribution partners.

The Company may reach agreements at its discretion with individual investors regarding the partial repayment to these investors of management fees collected. In particular, this shall be considered if institutional investors invest large amounts directly and for the long term.

The Company may also conclude agreements with selected brokers according to which the relevant broker may pass on parts of the fees which the Company has charged in relation to the purchase or sale of assets either directly or on a staggered basis

to third parties which have provided research or analytical services to the Company, which services are used by the Company in the interest of investors (known as Commission Sharing Agreements).

In connection with trading activities on behalf of the Fund, the Company may receive non-cash benefits (for example broker research, financial analyses, market and exchange rate information systems), which are used when making investment decisions in the interests of the unitholders. Additional information regarding further details of the non-cash benefits procured may be obtained from Union Investment.

### Total Expense Ratio

The costs and expenses accrued against the Fund during the financial year will be published in the annual report and specified as ratio of the average fund volume (total expense ratio). This includes the fee for the management of the Investment Fund, the flat fee and the expenses which may be additionally charged to the Fund (see sections entitled "Costs" and "Details on the acquisition of investment fund units" of the general part of the Sales Prospectus. The total expense ratio shall not include ancillary costs or costs arising in connection with the purchase and sale of assets (transaction costs). To the extent that the Terms of Contract specify a management performance fee, such fee shall additionally be specified separately as a percentage of the average net asset value of the Investment Fund. The total expense ratio is published in the KIID as so-called "ongoing charges".

### Details on the acquisition of investment fund units

If the fund invests in other investment funds, these may charge a management fee. In addition, these investment funds may charge a performance fee. Such a performance fee may make up a significant part of the positive performance of a target fund. In certain cases, such a performance fee may also be applied even if the fund's performance is negative. Furthermore, the target fund may be burdened with costs, commissions and other expenses that reduce the value of the target fund's assets. The costs of the target fund may in some cases be higher than the costs customary for the market. These reduce the net asset value of the fund and are still charged in the event of a negative performance of the target fund.

Further explanations regarding the management fee for the target fund units held in the Investment Fund can be found in the section entitled "Costs" in the general part of the Sales Prospectus.

The acquisition of target fund units is generally associated with charges, costs, commissions, taxes, fees and other expenses borne directly or indirectly by investors in the Fund. These typically comprise:

- a fee for the management of the Investment Fund;
- a depositary fee;
- custody fees, if appropriate including the costs for the safekeeping of foreign transferable securities abroad;
- costs of the printing and dispatch of particular annual and half-yearly reports for investors;
- costs of the publication of annual and half-yearly reports, issue and redemption prices and, where appropriate, distributions;
- costs of the auditing of the Investment Fund by the Company's independent auditors;
- costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- sales costs;
- if applicable, costs of the redemption of coupons;
- if applicable, costs of coupon renewal sheets;
- costs incurred in relation to the purchase and sale of assets;
- any taxes that may be incurred in relation to management and custody costs;
- costs of exercising and enforcing the legal rights of the Investment Fund.

The annual and half-yearly reports shall publish the initial sales charges and redemption fees charged to the Fund for the purchase and redemption of units in target funds over the reporting period. In addition, the fee that has been charged to the Fund by a domestic or foreign company, or a company associated with Union Investment by a substantive direct or indirect holding, as a management fee for the units held by the Fund will be published.

### Sub-investment funds

The Fund is not a sub-investment fund of an umbrella fund.

### Rules on the determination and use of income

The section entitled "Financial year and use of income" in the special part of this Sales Prospectus states whether the Investment Fund is a distributing or accumulating investment fund, or whether the respective unit class is a distributing or accumulating unit class.

The Company applies an "income adjustment procedure" to the Investment Fund or the relevant unit class. This means that the pro rata income earned during the financial year, which the purchasers of units must pay as part of the issue price and which the seller of units earns as part of the redemption price will be settled on an ongoing basis. Expenses incurred are taken into account when calculating the income adjustment.

The purpose of the income adjustment procedure is to balance out fluctuations in the ratio between income and other assets that are caused by net cash inflows or net cash outflows through the sale or redemption of units. Every net inflow of liquidity would otherwise reduce the proportion of income within the net asset value of the Investment Fund, whilst every outflow would increase it.

In the case of distributing investment funds or distributing unit classes, the result of the income adjustment procedure is to prevent the amount distributed per unit from being influenced by the unforeseeable performance of the Investment Fund or the units in circulation. It is thus accepted that investors who acquire units e.g. shortly before the distribution date will get back the part of the issue price relating to income in the form of a distribution, even though their paid-in capital did not contribute to generating the income.

In the case of accumulating investment funds or accumulating unit classes, the result of the income adjustment procedure is to prevent the income per unit reported in the annual report from being influenced by the number of units in circulation.

### Liquidation and merger of the Fund

- Conditions for the liquidation of the Fund

Investors are not entitled to demand that the Fund be liquidated. The Company may cease managing the Fund, provided that it complies with a notice period of at least six months, via publication of a notice in the German Federal Gazette, as well as in annual or half-yearly report. Investors shall also be informed of this termination by the agent maintaining their securities account via hard copy or in electronic form. A similar procedure may also be followed in relation to a unit class of an investment fund. On the date on which termination takes effect, the right of the Company to manage the Investment Fund shall expire.

Moreover, the right of the Company to manage the Fund ceases if insolvency proceedings are opened against the Company's assets or following a court order rejecting the opening of insolvency proceedings due to insufficiency of assets.

The power of disposal over the Investment Fund shall pass to the depositary upon the expiry of the right to manage the Fund, which shall liquidate the Investment Fund and divide the proceeds among the investors, or – subject to BaFin approval – commission another company to act as management company.

- Procedure for liquidation of the Fund

With the transfer of the right of disposal over the Fund to the depositary, the issue and redemption of units will cease and the Fund will be liquidated.

The proceeds from the sale of the Fund's assets, less any costs that are still to be borne by the Fund and the costs resulting from the liquidation procedure, shall be distributed to investors, who shall be entitled to receive payment of the liquidation proceeds in proportion to their number of units held in the Fund.

The Company shall issue a liquidation report on the day on which its right of management expires, which shall comply with the requirements applicable to the annual report. The liquidation report shall be published in the German Federal Gazette no later than three months after the relevant date of liquidation of the Investment Fund. Whilst the depositary is winding up the Fund, it shall issue reports annually, as well as on the day on which the winding up process is completed, which shall comply with the requirements applicable to the annual report. These re-

ports shall likewise be published in the German Federal Gazette no later than three months after the relevant date.

- Conditions for merger of the Fund

All the assets of this Fund may – subject to BaFin approval – be transferred to another investment fund, be it existing or newly created by the merger, which must meet the requirements for a UCITS and be established in Germany or another EU or EEA member state. All the assets of the Fund may also be transferred to a domestic investment company with variable capital, be it existing or newly created by the merger.

Such transfer shall take effect from the end of the financial year of the absorbed fund (transfer date) unless another transfer date is determined.

- Rights of investors upon merger of the Fund

Investors have up to five working days before the planned transfer date to either redeem their units without further costs (except for the costs deducted to cover the liquidation costs) or – if possible – to exchange their units for units of another open-end mutual fund that is also managed by Union Investment or a company in the same group and has a similar investment policy as the Fund.

Prior to the planned transfer date, investors in the Fund shall be provided with information regarding the reasons for the merger, the potential implications for investors, their rights in relation to the merger and the relevant procedural aspects, either as a hard copy or in electronic form by the agents maintaining the securities accounts. Investors shall also be provided with the KIID of the investment to which the Fund's assets will be transferred. There must be at least 30 days between the provision of the merger information and the end of the deadline for requests for the redemption or exchange of units, where applicable.

On the effective transfer date, the net asset values of the absorbing investment fund and the absorbed fund shall be calculated, the conversion rate fixed and the entire conversion procedure audited by an auditor. The conversion ratio shall be determined in accordance with the ratio between the net asset value per unit of the absorbed fund and that of the absorbing investment fund at the time of the transfer. Investors shall receive a number of units in the absorbing investment fund which corresponds to the value of their units in the absorbed fund.

Investors who do not exercise their right of redemption or conversion will become investors of the absorbing investment fund with effect from the date of transfer. Where appropriate, the Company may also agree with the management company of the absorbing investment fund that the investors of the absorbed fund will receive payment in cash for up to 10% of the value of their units. The absorbed fund will cease to exist upon the transfer of all of its assets. If the transfer occurs during the financial year of the absorbed fund, the Company must draw up a report for the transfer date, which must comply with the requirements applicable to the annual report.

The Company shall give notice in the German Federal Gazette and in the electronic information media specified in this Sales Prospectus if the Investment Fund has been merged with another investment fund also managed by the Company and the merger has taken effect. If the Fund is to be merged with another investment fund that is not managed by the Company, then the company managing the absorbing or newly established investment fund will be responsible for the notice of the merger taking effect.

### Delegation of duties

As part of its normal operations, the Company has delegated specific activities and responsibilities to group companies as well as non-group companies. Below is an overview of the delegation of duties and the potential conflicts of interest resulting from such delegation.

If portfolio management or other specific activities for the Fund are delegated, this will be indicated in the section entitled "Additional delegation of duties" in the special part of this Sales Prospectus.

- Delegation to group companies

Based on a division of labour, various functions and activities of the Company have been delegated to other companies of the Union Investment Group in which the Group holds a majority stake:

- The responsibilities for HR, business development, brand marketing, company communication, legal, compliance, money laundering prevention, data protection, fraud pre-

vention, accounting and auditing services, as well as support in the areas of risk management, strategy, organisation and controlling, have been delegated to Union Asset Management Holding AG, Frankfurt / Main.

- Marketing and product management services for institutional funds, support for product development and maintenance, as well as the trading desk, have been delegated to Union Investment Institutional GmbH, Frankfurt / Main.
- Fund risk controlling, performance analysis, trade control and investment limit control, as well as fund bookkeeping, reporting, accounting, data and order management, as well as the collateral desk, have been delegated to Union Service-Gesellschaft mbH, Frankfurt / Main.
- Commission calculation and payment to intermediaries abroad and within the non-cooperative banking sector in Germany, as well as the maintenance of basic fund data, have been delegated to Union Investment Financial Services S. A., Luxembourg.
- Coordination of fund marketing in other countries and depository management have been delegated to Union Investment Luxembourg S. A., Luxembourg.
- Customer service, complaints management, commission calculation and payment to intermediaries within the cooperative banking sector in Germany have been delegated to Union Investment Service Bank AG, Frankfurt / Main.
- The procurement of IT services has been delegated to Union IT-Services GmbH, Frankfurt / Main. These relate to network, PC and telecommunications operations, as well as the operation of applications for investment, fund accounting and marketing processes, including their associated support processes.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- (a) The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.
- (b) The contracted company is a company affiliated with the Company within the same financial group. Delegation to a group company creates the possibility that such a company, due to its being part of the group, may be exposed to competing influences when performing the delegated activity, or that it may exert such an influence on the Company belonging to the group or on the investors, which could negatively affect the interests of the Company or of the investors.

Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

- Delegation to non-group companies

The following duties have been delegated to companies outside the Union Investment Group:

- The provision of collateral management services for transferable securities lending transactions and the provision of collateral management services for compliance with the requirements of Regulation (EU) No 648/2012 (EMIR) has been delegated to State Street Bank GmbH, Munich.
- The compilation of individual bank product information has been delegated to 4Tek Gesellschaft für angewandte Informationstechnologien mbH, Frankfurt / Main.

The aforementioned delegations of duties could give rise to the following conflicts of interest:

- Conflicts of interest related to service providers with multiple clients:

The contracted company also holds other mandates, or acts on behalf of other funds or investors. The use of a service provider with multiple clients leads to the possibility that the provider might have financial or other incentives to give priority to the interests of another mandate, fund or investor over the interests of the present fund or its investors.

- Measures taken by the Company:

The Company has taken adequate measures, in particular through functional separation, outsourcing control, etc., to prevent such potential conflicts of interest from damaging the interests of the Fund or its investors. Any conflicts of interest that are unavoidable despite these measures are disclosed to investors.

### Conflicts of interest

The Company could become exposed to the following conflicts of interest:

The interests of investors or of the Fund could conflict with the following interests:

- Interests of the Company and its affiliated companies
- Interests of Company employees or
- Interests of other investors in this Fund or other funds
- Interests of another client of the Company

Circumstances or relationships that could give rise to conflicts of interest include in particular the following:

- Incentive schemes for Company employees
- Employee transactions
- Benefits for Company employees
- Shifts in the Fund
- Improvements in fund performance for the closing date (window dressing)
- Transactions between the Company and investment funds or individual portfolios managed by it, or
- Transactions between investment funds or individual portfolios managed by the Company
- Aggregation of orders (block trades) or (IPO) allocations to different investment funds
- Orders for or transactions with affiliated companies and persons
- Transactions after closing time at the foreseeable closing price of the day (so-called late trading)
- Engaging in unit transactions, if these benefit certain investors over others:
- Frequent trading
- Individual investments of considerable magnitude
- Burdening the Investment Fund with disproportionate costs or fees, unsuitable practices or the conflictual commissioning of third parties
- Selection of a trading partner while simultaneously receiving substantial soft commissions or research
- Possibility of conflictual marketing promotion through incomplete or incorrect product information
- Conflicts of interest through/in the exercise of voting rights
- The valuation agent for the assets is the Company itself
- Conflicts of interest related to the redemption of investments, such as conflicts of interest that could exist between investors who wish to redeem their investments and investors who wish to maintain their investments in the Fund, or between the Fund's objective of investing in non-liquid assets and its redemption principles

- Delegating duties to affiliated companies or service providers with multiple clients
- When delegating duties of portfolio management or risk management to such companies
- Use of insider information to the disadvantage of the client
- Personal conflicts of interests of employees or bodies of the Company

To address conflicts of interest, the Company has taken the following organisational measures to detect, prevent, control, monitor and disclose conflicts of interest:

- Existence of a compliance function which monitors compliance with laws and regulations, and to which any conflicts of interest must be reported
- Disclosure obligations
- Organisational measures such as
  - The creation of confidentiality zones for individual departments in order to prevent the abuse of confidential information

- The allocation of competences in order to prevent any improper exertion of influence
- Separation of proprietary trading and customer trading
- Measures for hierarchical and functional separation (also applies to delegated portfolio management and risk management activities)
- Rules of conduct for employees with respect to employee transactions, obligations of compliance with insider rules
- Creation of fee systems
- Principles for taking account of customer interests, as well as the provision of investor-oriented and investment-related advisory services and/or compliance with the agreed investment guidelines
- Principles for optimal execution in the purchase or sale of financial instruments or other assets
- Principles for the subdivision of partial executions and allocation of assets
- Specification of times for order acceptance (cut-off times)
- Strategies comprising measures and procedures to prevent or regulate conflicts of interest produced by the exercise of voting rights
- Separate reporting obligation or separate monitoring
- Prohibitions
- Refraining from providing the conflictual service

### Brief summary relating to tax regulations

#### Brief summary relating to tax regulations relevant to investors

The following statements on tax regulations only apply to investors who are fully liable to taxation in Germany. We recommend that, prior to acquiring units of the Investment Fund described in this Sales Prospectus, foreign investors contact their tax adviser in order to discuss any possible tax consequences in their country of residence arising from the acquisition of units.

As a special purpose fund, the Investment Fund is exempt from corporate and trade tax. However, the taxable income of the Investment Fund is taxable for the private investor as income from capital assets, which is subject to income tax, provided that it exceeds the saver's flat-rate annual allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) together with the other investment income.<sup>1)</sup>

Income from capital assets is generally subject to a 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). Income from capital assets also includes income distributed by the Investment Fund, income equivalent to distributions, the mid-way profits, as well as any gains from the sale or purchase of fund units, provided that the units were or are acquired after 31 December 2008.<sup>2)</sup>

In general, for the private investor, the withholding tax acts as a final payment (so-called "final withholding tax") so that, as a rule, income from capital assets need not be declared in the annual income tax return. In principle, when applying the withholding tax, the agent maintaining the securities account already offsets losses and foreign withholding taxes.

The withholding tax does not act as a final payment, however, if the investor's personal tax rate is lower than the final withholding tax of 25%. In such cases, income from capital assets may be declared in the income tax return. The tax authorities then apply the lower personal tax rate to the income from capital investments concerned and offset the tax withheld against the personal tax liability (so-called "favourable tax treatment").

If income from capital assets was not subject to any withholding tax (because e.g. a capital gain from the sale of fund units was realised in a foreign securities account), such income must in all cases be declared in the tax return. Within the tax assessment, any income from capital assets is then also subject to the final withholding tax of 25%, or else to the lower personal tax rate.

If units are held as business assets, the income is considered taxable as operating income. Tax law requires the differential treatment of individual income elements when determining income

1) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

2) Capital gains from the sale of fund units acquired before 1 January 2009 are tax-free for private investors.

from business assets that is liable to tax or liable to investment income tax.

Asset distributions are not counted towards distributed income. Under tax law, an asset distribution will only occur if the investment company demonstrates that there was no distributable income from the Investment Fund assets for the purposes of investment tax law (the German Investment Companies Act (KAGG), the German Foreign Investment Act (AuslInvestmG) and the InvStG) from the current or an earlier financial year, and the distributions of assets are published and included in the statements of assessment. However, distributable income for these purposes does not include distribution-type income.

In cases involving distributions of assets, the acquisition costs or amortised acquisition costs of the investor for the investment element should, in principle, be reduced by the element of the distribution of assets applicable to the investor. As an alternative to this, commercial investors may establish a negative adjustment item. For private investors, in the event that fund units are redeemed or sold, the reduction of acquisition costs may be replaced by the inclusion of distributions of assets.

## 1. Units held as personal assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- capital claims with an issuing yield;
- "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- reverse convertible bonds, exchangeable bonds and convertible bonds;
- income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- cum-warrant bonds.

If gains from the sale of the above-mentioned transferable securities/capital claims, gains from forward and futures transactions, as well as income from option premiums are distributed, these are generally taxable and usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax). However, distributed gains from the sale of transferable securities and gains from futures and forward transactions are tax-exempt if the transferable securities were purchased at the level of the Investment Fund before 1 January 2009, or the futures and forward transactions were executed before 1 January 2009 respectively.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

- Interest, dividends and other income

Interest, dividends and other income are generally taxable for the investor. This applies irrespective of whether such income is reinvested or distributed.

It is usually subject to the 25% withholding tax (plus solidarity surcharge and, where applicable, church tax).

The withholding tax need not be applied if the investor is a German tax resident and presents an exemption request, provided that the taxable income element does not exceed EUR 801 for individual assessment or EUR 1,602 for joint assessment of spouses.<sup>2)</sup>

The same applies when providing a declaration for persons who are not expected to be subject to income tax (so-called non-assessment certificate).

If a German investor keeps units of an investment fund which is a distributing fund under tax law in a domestic securities account, the agent maintaining the securities account will refrain, as paying agent, from applying the withholding tax if it is presented prior to the distribution deadline specified with an appro-

priate exemption request for a sufficient amount using the official form or a non-assessment certificate issued by the tax authorities for a maximum period of three years. In this case, the investor will be credited for the full amount of the distribution.

For purposes of tax deduction for a fund that does not distribute its profits, the Fund provides the agent maintaining the securities account with the capital tax plus the maximum additional taxes due (solidarity surcharge and church tax). The agents maintaining the securities accounts will apply the withholding tax in the same manner as in relation to distributions, taking account of their personal circumstances of investors, with the result that church tax may be deducted if applicable. If the Investment Fund has transferred amounts to the agents maintaining the securities accounts which need not be deducted, these amounts will be repaid.

If the units are held in a domestic securities account, the account of any investor who submits an exemption request for a sufficient amount or a non-assessment certificate to the agent maintaining their securities account prior to the end of the Investment Fund's financial year will be credited with the amount transferred to the agent maintaining their securities account.

If the exemption request or the non-assessment certificate is not submitted or is submitted late, investors will receive a tax certificate for the withholding tax retained and deducted, as well as the solidarity surcharge, from the securities agent upon request. Investors will then be entitled to offset the withholding tax against their personal tax liability within their income tax assessment.

If units of a distributing investment fund are not placed in a securities account and coupons are presented to a domestic credit institution (self-custody), a withholding tax of 25% plus the solidarity surcharge of 5.5% thereof will be deducted, i.e. a total of 26.375%.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for the negative income to be taken into account in earlier income tax assessments for investors.

- Distributions of non-income assets

Dividends paid out non-income assets are not taxable.

Distributions of non-income assets received by investors during their holding period will as a matter of principle result in a corresponding abatement or reduction of the acquisition costs. For tax purposes, if fund units are sold this will result in an increase in the taxable gains.

- Capital gains at investor level

If units in the Investment Fund acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the withholding tax rate of 25%. If the units are held in a domestic securities account, the agent maintaining the securities account will apply the withholding tax. The withholding tax of 25% (plus the solidarity surcharge and, where applicable, church tax) may be waived following presentation of a sufficient exemption request or non-assessment certificate. If such units are sold at a loss by a private investor, then the loss may be offset against other positive income from capital assets. If the units are held in a domestic securities account, and positive income has been obtained from capital assets with the same agent maintaining the

securities account over the same calendar year, then the agent maintaining the securities account will offset the losses.

In the event that Fund units acquired before 1 January 2009 are sold, the capital gains for private investors is tax-free (so-called grandfather rules).

When determining the capital gains, the acquisition costs will be reduced by the mid-way profit at the time of acquisition and the sale price will be reduced by the mid-way profit at the time of sale, in order to ensure that the mid-way profit is not considered twice for income tax purposes (see below). In addition, the sale price will be reduced by the reinvested income on which the investor has already paid tax, likewise in order to ensure that there is no double taxation.

Capital gains from the sale of fund units acquired after 31 December 2008 are tax free insofar as these are attributable to income that is tax-free under a double taxation agreement (DTA) accruing during the holding period in the Fund and which has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

- Special provisions applicable to "tax-oriented money market funds"

If the Fund meets the requirements for classification as a "tax-oriented money market fund", then the following special provisions shall apply for the sale or redemption of Fund units:

Gains from the sale or redemption of units acquired after 18 September 2008 are as a matter of principle subject to capital gains tax at a rate of 25%, even if the units were acquired before 1 January 2009. If the units were acquired after 18 September 2008, but before 1 January 2009, and if the Fund distributed an "old disposal gains" after 31 December 2008 (i.e. gains from the sale of transferable securities acquired by the Fund before 1 January 2009 or gains from forward/futures transactions concluded before 1 January 2009), any capital gains from the sale of units after 31 December 2008 need not be corrected by the old capital gains distributed. If the units were acquired before 19 September 2008, the sale may be concluded tax-free; thus only value increases arising after 10 January 2011 are taxable.

- Exception to the grandfather rules regarding withholding tax

The grandfather rules regarding withholding tax do not apply to the sale or redemption of specific investment funds acquired after 9 November 2007, but before 1 January 2009. In the following cases, the withholding tax applies to post-2009 sales of units of

- German and foreign institutional investment funds or institutional investment companies;
- other investment funds for which, pursuant to law, articles of association or terms of contract, participation by natural persons is dependent upon the investor's expert knowledge;
- other investment funds, participation in which is subject to a minimum investment of EUR 100,000.

This exception is interpreted by the tax authorities to the effect that if the predominant share of assets in an investment fund is held by a small number of up to ten investors, with regard to investors who have actually invested at least EUR 100,000, it may be assumed that a minimum investment of EUR 100,000 is required and that special expert knowledge is required on the part of these investors. Due to their overlap with the actual circumstances, any agreements to the contrary are to be disregarded (Federal Ministry of Finance letter dated 22 October 2008, IV C 1 - S 1980-1/08/10011).

It would appear that this interpretation of the law has not yet been examined by the tax authorities from a finance law perspective.

In particular, the interpretation of the concept of "the predominant share of the assets of an investment fund" is unclear and disputed. One possible very broad interpretation of this concept could, in principle, bring all investment funds, in particular those with more limited fund assets, within the scope of this provision, where there is a corresponding investor structure which cannot be controlled by the investors in an open-end mutual fund, due to their being unaware of the other investors. Moreover, this is also the case where, as a result of unit redemptions by other investors, the predominant share of the assets is held by up to ten investors.

2) Since 2009, the saver's flat-rate allowance amounts to EUR 801 for individual assessment and EUR 1,602 for joint assessment. It is comprised of the former saver's tax allowance and the blanket deduction for income-related expenses. The ability to deduct the actual income-related expenses for income associated with capital assets is, in principle, hereby discharged. In derogation hereto, following a decision by the Baden-Württemberg financial tribunal on 17 December 2012 (ref. 9 K 1637/10), it should be possible to deduct the actual amount of the income-related expenses in cases where the income tax rate (taking into account the saver's flat-rate allowance) is below the withholding tax rate of 25%. An appeal is currently pending concerning this ruling at the Federal Fiscal Court (ref. VIII R 13/13).

1) § 1(3)(3)(1)(a)-(f) InvStG

## 2. Units held as business assets (German tax residents)

- Gains from the sale of transferable securities, gains from futures and forward transactions and income from option premiums

Gains from the sale of shares, units in investment funds, dividend rights similar to equities and gains from futures and forward transactions, as well as income from option premiums, that are realised at the level of the Investment Fund do not affect the investor as long as these are not distributed. Moreover, profits from the sale of the following capital claims (so-called good capital claims) are not considered at investor level<sup>1)</sup> unless distributed.

- (a) capital claims with an issuing yield;
- (b) "normal" bonds and unsecured claims with fixed coupons and down-rating bonds, floaters and reverse floaters;
- (c) risk certificates representing an individual stock or a published index for multiple equities at a 1:1 ratio;
- (d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- (e) income bonds traded without a separate recording of the accrued interest (flat) and debt dividend rights; and
- (f) cum-warrant bonds.

If these gains are distributed, they are taxable at investor level. Capital gains from equities are entirely<sup>2)</sup> tax-exempt (if the investor is a corporation) or 40% (if the investor is another type of business, e.g. a sole proprietorship) tax-free (partial income method). On the contrary, capital gains from bonds/capital claims, gains from forward/futures transactions and income from option premiums are taxable in their full amount.

Gains from the sale of capital claims not included in the above list are treated as interest for tax purposes.

Distributed capital gains on transferable securities, distributed forward/futures transaction gains and distributed income from option premiums are, in principle, subject to the withholding tax (capital gains tax of 25%, plus the solidarity surcharge). This does not apply to gains from the sale of transferable securities acquired before 1 January 2009 and gains from forward/futures transactions concluded before 1 January 2009. Moreover, the paying agent will not withhold any tax if the investor is a corporation with unlimited tax liability or if the investment income qualifies as income of a domestic business and this fact is declared by the creditor of the investment income to the paying agent using the officially required form.

- Interest and similar income

Interest and similar income is generally taxable for the investor.<sup>3)</sup> This applies irrespective of whether such income is reinvested or distributed.

The agent maintaining the securities account will only refrain from deducting the withholding tax, or reimburse it, when provided with a non-assessment certificate. Otherwise, the investor will receive a tax certificate for the withholding tax.

- Domestic and foreign dividends

Dividends of domestic and foreign companies accrued or deemed to have been accrued to the Investment Fund before 1 March 2013 and that have been distributed on or reinvested in units held as business assets are, in principle, tax-free for corporations (for corporations, 5% of dividends are regarded as non-deductible operating expenses and are thus ultimately still liable to tax), with the exception of dividends pursuant to the German Real-Estate Investment Trusts Act (hereinafter: REITG). Due to the new ruling on the taxation of free float dividends, since 28 February 2013, dividends of domestic and foreign public limited companies resulting from direct investments and accrued or considered to have been accrued to the Investment Fund are taxable for corporations. With the exception of dividends under the REITG, dividends paid to sole proprietorships are taxable at 60% (partial income method).

Domestic dividends are subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof).

Foreign dividends are, in principle, subject to a withholding tax (capital gains tax of 25%, plus the solidarity surcharge of 5.5% thereof). However, the paying institution will perform no tax deduction if the investor is a corporate body subject to unlimited tax liability or if these foreign dividends are business receipts of a domestic enterprise and if this has been declared to the paying institution by the creditor of the capital gains via a prescribed official document. For certain types of entities, the paying agent is required to have a certificate from the competent tax office as evidence of unrestricted taxability. These entities are associations without legal personality, institutions, foundations and other private-law trusts and private-law legal persons, not being companies with legal personality, cooperatives or insurance or pension fund associations.

In the case of investors subject to trade tax, the dividend income that is partially exempt from income tax and corporation tax is to be added back, rather than deducted, when calculating their trade income. In the view of the financial authorities, dividends from foreign corporations in the form of inter-company dividends are tax-free only if the investor is a corporation within the meaning of the DTA and a sufficiently high amount of (inter-company) holding is attributable to this investor.

- Negative taxable income

If, after negative income has been offset against similar positive income at Investment Fund level, a negative overall amount is produced, this is carried forward for tax purposes at investment fund level. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be allocated directly to investors. This means that such negative amounts will only be reflected in investors' income tax or trade tax assessments during the investment period (tax year) in which the financial year of the Investment Fund ends or in which the distribution takes place for the Investment Fund's financial year for which the negative taxable income has been offset at Investment Fund level. It is not possible for this to be taken into account in earlier income tax or trade tax assessments for investors.

- Distributions of non-income assets

Distributions of non-income assets are not taxable. For investors required to prepare financial statements, this means that distributions of non-income assets must be recognised as income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus effectively reducing the acquisition cost without affecting tax. Alternatively, the amortised acquisition costs could be reduced by the pro rata amount of the distributions of non-income assets.

- Capital gains at investor level

Gains from the sale of units held as business assets are, in principle, tax-free for corporations (5% of tax-free capital gains for corporations are classified as non-deductible operating expenses and are therefore ultimately taxable), provided that these profits accrue from dividends that are unrealised or not deemed to have been realised and from realised or unrealised gains of the Investment Fund from German and foreign equities and provided that these dividends and gains are tax-free when allocated to investors (so-called share profit). These capital gains are taxed at 60% for sole proprietorships.

The Company publishes the share profit (in accordance with the statutory amendment referred to above, since 1 March 2013, two share profit figures have been published separately for corporations and sole proprietorships – where applicable, separate publication only occurs retrospectively) on each valuation date as a percentage of the Fund's unit value.

Capital gains from the sale of units are tax-exempt, insofar as these are attributable to income that is tax-free under a DTA, has accrued during the holding period in the Fund and has not yet been recorded at investor level (gains from real estate for the proportionate period of ownership).

The Company will publish the gains from real estate on each valuation day as a percentage of the unit value of the Fund.

## 3. Non-residents for tax purposes

If a non-resident for tax purposes holds units in a distributing investment fund on a securities account held at a domestic securities agent, no tax is withheld on interest and similar income, capital gains on transferable securities, capital gains on forward/futures transactions and foreign dividends, if the investor furnishes proof of his non-resident status for tax purposes. Should the agent maintaining the securities account not be informed about the investor's being a non-resident individual or if such evidence is not provided in time, the foreign investor must apply

for reimbursement of the charged tax via a refund procedure pursuant to the Income Tax Regulation (*Abgabenordnung*). The competent tax office is the one responsible for the agent maintaining the securities account.

If a foreign investor holds units of accumulating investment funds in a securities account held at a domestic securities agent, the investor will be reimbursed the 25% withholding tax (plus the solidarity surcharge), unless this applies to domestic dividends, on furnishing proof of his non-resident status for tax purposes. If the application for reimbursement is made too late – as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds – the investor may apply for reimbursement pursuant to the Income Tax Regulation even after the income is retained.

The extent to which the tax withheld in relation to domestic dividends may be offset or reimbursed in the case of foreign investors is dependent upon the DTA in place between the country of residence of the investor and the Federal Republic of Germany.

The tax withheld on domestic dividends under the terms of the DTA is reimbursed by the German Federal Central Tax Office (hereinafter: "BZSt") in Bonn.

## 4. Solidarity surcharge

A 5.5% solidarity surcharge is levied on the tax withheld upon distribution or reinvestment. The solidarity surcharge may be offset against the investor's income tax or corporation tax liability.

If no tax is withheld or, in the case of reinvestment prior to 1 January 2012, if the tax withheld is reimbursed – for example, because a sufficient exemption request has been filed, a non-assessment certificate has been presented or proof of non-resident status for tax purposes has been furnished – no solidarity surcharge need be remitted or, in the case of reinvested income, the solidarity surcharge withheld is reimbursed.

## 5. Church tax

If income tax is already levied via the tax withheld by a domestic securities agent (withholding agent), the church tax payable on this is levied as a surcharge to the tax withheld in accordance with the church tax rate for the religious community to which the person subject to church tax belongs. To this end, persons subject to church tax must inform the withholding agent in writing that they are a member of a particular religion. In the application, married couples must also declare the proportion of each spouse's individual investment income in relation to the married couple's investment income as a whole, such that the church tax can be allocated, withheld, and remitted on this basis. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special expense is recognised as reducing the tax to be withheld.

## 6. Foreign withholding tax

Withholding tax on the Investment Fund's foreign income is retained in some cases in the country of origin.

The Company may deduct the offsettable withholding tax in the same way as income-related expenses at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the offsettable withholding tax will be recognised as reducing the tax to be withheld.

## 7. Income adjustment

Those portions of the issuing price attributable to income for issued units that are eligible for inclusion in the distribution (income adjustment procedure) are to be treated in the same way for tax purposes as the income to which these portions of the issuing price are attributable.

## 8. Separate determination of profits, external audits

The tax bases calculated at Investment Fund level must be determined separately in each case. For this purpose, the Company must submit a statement of assessment to the competent tax office. Changes to the statements – for example, as a result of an external tax audit by the tax authorities – take effect in the financial year in which the amended statement became incontestable. The amended statement is then allocated to investors for tax purposes at the end of this financial year or on the date on which the distribution for this financial year occurs.

1) § 1(3)(3)(1)(a)–(f) InvStG

2) For corporations, 5% of capital gains from equities are classified as non-deductible operating expenses and are therefore ultimately taxable.

3) Pursuant to § 2(2a) InvStG, taxable interest must be accounted for as part of the interest ceiling regulation under § 4h of the German Income Tax Act (*Einkommensteuergesetz*).

This means that rectifications of errors affect those investors who hold units in the Investment Fund at the time the errors are corrected. The tax implications may either be positive or negative.

## 9. Taxation of mid-way profits

Mid-way profits are compensations for interest received or incurred that are included in the issue or redemption prices, and profits from the sale of non-good capital claims, which have not yet been distributed or accumulated by the Fund and are thus not subject to taxation at the level of the investors (comparable to accrued interest from fixed-interest transferable securities). Mid-way profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25% tax is withheld on mid-way profits (plus the solidarity surcharge of 5.5% thereof and church tax, if applicable).

Mid-way profits paid on the purchase of units may be deducted as negative income for income tax purposes by private investors, if an income adjustment is carried out and reference is made to this fact both upon publication of the mid-way profits and within the scope of the tax data to be certified by professionals. They are recognised as reducing the tax burden when the tax is withheld. If the mid-way profits are not published, 6% of the payment made in connection with the redemption or sale of the investment unit must be recognised as mid-way profit. For commercial investors, mid-way profits paid are an inseparable part of the purchase costs, which are not to be corrected. Upon redemption or sale of the Fund unit, the mid-way profits received constitute an inseparable part of the proceeds of the sale. No correction is to be made.

The mid-way profits may also be regularly obtained from statements and statements of income issued by the banks.

## 10. Effects of the merger of investment funds

The merger of a German investment fund with another German investment fund does not result in the realisation of hidden reserves either at investor level or at the level of the investment funds concerned, i.e., this process is tax-neutral. The same applies for the transfer of all assets of a German investment fund to a German investment company with variable capital or a sub-fund of a German investment company with variable capital. If the investors of the absorbed investment fund receive a cash payment as envisaged by the merger plan, this will be treated in the same manner as the distribution of any other income.

Income generated by the absorbed investment fund that has not been distributed is allocated to investors for tax purposes on the transfer date as income equivalent to distributions. This ensures that the investors in this investment fund participate in all income generated by it up until the merger. In this sense, ordinary undistributed income of the absorbed investment fund from the last financial year is deemed to have been reinvested for tax purposes.

## 11. Classification of investment funds as transparent, semi-transparent or non-transparent for tax purposes

The taxation principles mentioned above ("transparent taxation" of investment funds pursuant to the InvStG) apply only if the Fund is subject to the grandfather rules of the InvStG. For this to be the case, the Fund must have been launched before 24 December 2014 and must comply with the investment regulations and borrowing restrictions of the former InvG. Alternatively or at the latest after expiry of the grandfather rules, the Fund must comply with the fiscal investment regulations of the InvStG (these are the regulations to be observed by the Fund with respect to its investments in order for it to be taxed as an investment fund). In either case, the full tax bases must also be disclosed under the tax disclosure obligation pursuant to § 5(1) InvStG. If the Fund has acquired units in other investment funds, the above tax bases will also apply only if (i) the respective target fund is subject either to the grandfather rules of the InvStG or meets the fiscal investment regulations of the InvStG and (ii) the management company fund observes the tax-related disclosure obligations for these target funds.

The Company endeavours to observe the fiscal investment regulations or, in the case of the grandfather rules, the investment regulations and borrowing restrictions pursuant to the InvG, and to disclose all tax bases to which it has access. However, no guarantee can be given that the disclosure obligations will be fulfilled, especially if the Fund has acquired units in investment funds whose management company fails to comply with the tax disclosure obligations. Should this occur, the distributions and mid-way profits, as well as 70% of the increase in value in the most recent calendar year, calculated based on the respective

units held in the investment fund (but at least 6% of the redemption price) are classified as taxable income at the level of the Fund. Furthermore, the Company endeavours to disclose all other information regarding the tax bases not covered by the requirements of § 5(1) InvStG (in particular gains from shares, gains from real estate and mid-way profits).

If the investment regulations and borrowing restrictions of the former InvG or fiscal investment regulations of the InvStG are not complied with, the Fund shall not be treated as an investment fund. Taxation is carried out pursuant to the regulations for investment companies.

## 12. EU Savings Taxation Directive / German Interest Information Regulation

The German Interest Information Regulation (*Zinsinformationsverordnung* — hereinafter: "ZIV"), which implements the Directive as regards the taxation of interest income, is intended to ensure the effective cross-border taxation of interest income of natural persons within the territory of the EU. The EU has concluded agreements that largely correspond to the EU Savings Taxation Directive with several non-EU member states (including in particular with Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra).

Under these agreements, interest income that is credited by a German credit institution (which to this extent acts as a paying agent) to a natural person living in another EU member state or in certain third countries is, in principle, reported by the German credit institution to the BZSt, which passes this information on to the foreign tax authorities in this person's country of residence.

Accordingly, interest income received by natural persons in Germany from credit institutions located in other EU member states or certain third countries is, in principle, ultimately reported by the foreign credit institutions to the competent German tax office of the person's place of residence. Alternatively, certain foreign states retain withholding taxes that can be offset in Germany.

In concrete terms, therefore, this affects private investors resident in the EU or the third countries that have acceded to the Directive who maintain securities accounts or current accounts in another EU member state and receive interest income.

Luxembourg and Switzerland, among others, have undertaken to charge a withholding tax of 35% on interest income. Investors receive a certificate as part of their tax documentation, which they can use to offset the withholding tax deducted when filing their income tax returns.

Alternatively, private investors can elect to be exempted from the withholding tax abroad by authorising the foreign credit institutions to disclose their interest income voluntarily; this enables the institution to refrain from applying the withholding tax and instead to report the income to the tax authorities specified under statute.

Pursuant to the ZIV, the Company must specify for the Fund whether it is subject to the ZIV (in scope) or not (out of scope).

The ZIV contains two material investment thresholds to assist in this assessment.

- If a maximum of 15% of the Fund's assets consist of claims as defined by the ZIV, the paying agents, which ultimately refer to the data reported by the Company, are not required to submit reports to the German Federal Central Tax Office. Otherwise, if the 15% threshold is exceeded, a requirement will be triggered for the paying agents to disclose the interest portion of the distribution to the German Federal Central Tax Office.
- If the 25% threshold is exceeded, the interest portion contained in the redemption or sale of the Fund units must be reported. If the Fund is a distributing fund, the interest portion contained in the distribution must also be reported to the German Federal Central Tax Office. If the Fund is an accumulating fund, a report need only be made if fund units are redeemed or sold.

## Annual/half-yearly reports and auditor

The annual reports and half-yearly reports may be obtained from Union Investment, the sales and paying agents specified at the end of the Sales Prospectus, the Contact Office (where specified in the special part of the Sales Prospectus) and the depositary.

The auditing company specified at the end of the Sales Prospectus has been appointed to audit the Fund and the annual report.

The auditor examines the annual report of the Fund. In its audit, the auditor shall also determine whether the management of the Fund has complied with the provisions of the KAGB and the terms of contract. The auditor shall summarise its findings in a special note, the full text of which shall be included in the annual report. The auditor shall submit the audit report for the Fund to BaFin.

## Payments to investors/ distribution of reports and other information

The appointment of a depositary ensures, in principle, that investors receive distributions and units can be redeemed. The KIID referred to in this Sales Prospectus may be obtained in the manner described in the section entitled "General provisions, sales documentation and disclosure of information" in the general part of the Sales Prospectus.

# Special part

This special part lists in detail the regulations which differ from or supplement the regulations stated in the general part for the UCITS investment fund described in this Sales Prospectus (hereinafter: the "Investment Fund" or "Fund") and/or its unit classes.

## The Investment Fund, launch date and duration

The investment fund with the name UniGlobal was launched on 2 January 1960 for an indefinite period. The investors are fractional co-owners of the Investment Fund's assets in proportion to their number of units. Investors cannot dispose of the assets held in the Investment Fund. There are no voting rights associated with the units.

In addition to being securitised in global certificates, the rights of investors have also been securitised in individual unit certificates (so-called physical securities consisting of a certificate and coupon sheet). The transfer of a unit certificate also transfers the rights chartered therein. The Company has decided that no new physical securities will be issued. The purchase of units is therefore only possible if these are held in custody. Even in the case of physical securities which have already been issued, no new coupon sheet (chartering the revenue entitlement and containing a new renewal coupon) will be issued in exchange for the renewal coupon. The rights of unitholders in possession of physical securities shall remain unaffected. Investors are requested to send in the physical securities (i.e. the certificates with the associated coupon sheets) for exchange and crediting in the collective custody account in order to receive distribution payments.

## Unit classes

The Investment Fund comprises different unit classes, i.e. the issued units certify different rights depending on the class to which they belong. The following unit classes currently exist:

UniGlobal (Securities ID No./ISIN: 849105/DE0008491051), denominated in EUR

UniGlobal I (Securities ID No./ISIN: A0M80N/DE000A0M80N0), denominated in EUR

These unit classes currently differ with respect to the initial sales charge, the management fee, the use of income and the minimum investment amount.

Due to these differences, the financial results achieved by the investor with their investment in the Investment Fund may vary, depending on the unit class of the units acquired. This applies to both pre-tax and post-tax returns achieved by the investor.

Assets may be acquired only for the Investment Fund as a whole, not for individual unit classes or groups of unit classes.

Pursuant to § 16(2) of the General Terms of Contract of this Investment Fund, further unit classes may be created in the future, which may differ from the existing unit classes in terms of the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging transactions), the management fee, the minimum investment amount, or a combination of these characteristics. However, the rights of investors who have acquired units in existing unit classes of this Investment Fund will not be affected. The costs associated with launching a new unit class must be charged exclusively to the investors of the new unit class.

## Depository

The following credit institution has taken on the role of depository for the Fund:

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

Paid-up share capital:  
EUR 649 million

Liability equity capital:  
EUR 2,363 million

(As at: 31 December 2013)

The depository is a credit institution under German Law whose main activities involve the deposit, credit, monetary and transferable securities sectors.

## Sub-depositaries

The following information has been provided to the Company by the depository. The Company has checked this information for plausibility. However, it has to rely on the information as provided by the depository, and cannot verify the accuracy and completeness thereof in individual cases.

Assets are held in custody for the account of the Fund by Deutsche WertpapierService Bank AG, Frankfurt / Main (dwpbank).

According to information from the depository, there are no conflicts of interest.

## Risk class of the Investment Fund

The Company has allocated the Fund to the third-highest of five risk categories. The Fund therefore has an increased level of risk.

## Increased volatility

Based on its composition and/or use of derivatives or techniques, the Fund exhibits an increased level of fluctuation, i.e. unit values may be subject to sharp upward or downward fluctuations, even within short periods.

## Specific risk information regarding the Fund

Greater price fluctuations and risks of loss are possible in connection with investments in emerging/developing countries.

## Investment objective

The investment policy aims at generating long-term capital growth in addition to achieving returns in line with the market.

The Fund is a UCITS fund managed as an equity fund.

## Profile of the typical investor

The Fund is suitable for risk-tolerant investors who want to make use of the opportunity to invest in domestic and foreign equities, and who are willing to accept an increased level of risk in the meantime. Depending on the extent of the possible fluctuations, the investor may have to accept capital losses when redeeming units.

The Fund is not suitable for investors who are not willing to accept an increased level of risk in the meantime.

The various recommendations published within the framework of the KIID were determined on the basis of past performance data. For this purpose, different rolling periods were analysed in order to obtain evidence as to whether, in the majority of cases, an investment performed well within the respective reporting period (not taking into account issue or redemption costs and custody fees). The recommendation derived from this can therefore only provide an indication of, and not a guarantee for, any future success with respect to the investment performance. Due to capital market developments, this may well lead to losses, despite compliance with the approved recommendation.

By way of derogation from the foregoing, recommendations for guarantee funds, term funds and funds with larger capital preservation periods relate to the guarantee date, the maturity date or the end of the capital preservation period, because the investment policy for these funds is aligned with these dates, and experience has shown that on these dates, it can be assumed that the minimum objective of the investment policy will be achieved. For funds with short capital preservation periods, the recommendation is based on the past performance data of the asset mix inherent to the product.

## Investment principles

The Investment Fund may invest in

1. **Transferable securities** pursuant to § 193 KAGB,
2. **Money market instruments** pursuant to § 194 KAGB,
3. **Bank balances** pursuant to § 195 KAGB,

4. **Investment units** pursuant to § 196 KAGB,

5. **Derivatives** pursuant to § 197 KAGB, and

6. **Other investment instruments** pursuant to § 198 KAGB.

## Individual asset types which may be acquired

At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers. Interest-bearing transferable securities may be acquired on a temporary basis. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.

Transferable securities and money market instruments of the same issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.

Up to 49% of the Investment Fund's assets may be held in bank balances pursuant to § 7 of the General Terms of Contract.

Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Derivatives

A derivative is an instrument, the price of which depends on the price fluctuations or anticipated prices of other assets ("underlying"). The provisions below apply both to derivatives and to financial instruments with a derivative component (jointly referred to below as "derivatives").

The Company may carry out derivative transactions for the purpose of hedging, efficient portfolio management and to achieve additional interest income (i.e. also for speculative purposes). This may at least temporarily increase the Investment Fund's risk of loss.

The Company has opted for the qualified approach for derivatives and may – provided it maintains an appropriate risk management system – invest on behalf of the Fund in any derivatives or financial instruments with a derivative component within the meaning of Article 10(1) of Directive 2007/16/EC derived from assets that may be acquired for the Investment Fund or from a financial index within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates or currencies. This includes in particular options, financial futures/forward contracts and swaps, as well as combinations thereof.

The potential market risk of the Investment Fund may be increased by the use of derivatives. However, a maximum value of 200% of the potential market risk of a derivative-free comparable portfolio (reference portfolio) may not be exceeded. Market risk denotes the risk that results from the market prices developing unfavourably for the Investment Fund. For the calculation of the potential market risk for the use of derivatives, the Company applies the qualified approach as defined in the German Derivatives Regulation (Regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB). The risks connected with the use of derivatives are controlled by means of a risk management process that enables the risk associated with the investment positions, as well as the respective contribution to the overall risk profile of the investment portfolio, to be monitored and measured at all times.

Under the qualified approach, the potential risk contribution from market risk is calculated in comparison with a reference portfolio. The value-at-risk (VaR) indicator, a statistical and mathematical measurement of risk, is also calculated. Under the relative VaR approach, the VaR of the Investment Fund may not exceed more than twice the VaR of the reference portfolio. The Investment Fund's reference portfolio is made up as follows:

100% MSCI World.

- Option contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may buy and sell call and put options on transferable securities, money market instruments, financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies, in addition to trading in warrants. Option contracts grant a third party the right against payment (option premium) to request the delivery or purchase of assets or the payment of a differential amount or to acquire corresponding option rights at a predetermined price (exercise price) during or at the end of a certain period of time. The options or warrants must be exercisable either during the whole term or at the end of the term. Moreover, the value of the option at the exercise date must be linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and become zero if the difference has the opposite (positive/negative) sign.

- Futures/forward contracts

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude futures/forwards contracts on all transferable securities and money market instruments permissible for the Investment Fund, as well as on financial indices within the meaning of Article 9(1) of Directive 2007/16/EC, interest rates, exchange rates and currencies. Futures/forwards contracts are unconditionally binding on both contractual parties, requiring these to buy or sell a specific quantity of a certain underlying at an agreed price at a specific date (due date) or within a determined time frame.

- Swaps

For the account of the Investment Fund and within the scope of the investment principles, the Company may conclude all permissible swaps, particularly interest swaps, currency swaps, interest-currency swaps and variance swaps.

Swaps are exchange agreements switching the underlying payment flows or risks of the relevant transaction between the parties to the contract.

- Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap, the conditions of which are clearly specified, at a given time or within a given period. Moreover, the principles listed in connection with option contracts apply. On behalf of the Fund, the Company may only conclude swaptions that are composed of the options and swaps described above.

- Credit default swaps

Credit default swaps are credit derivatives which enable a potential credit default volume to be passed on to third parties. The seller of the risk pays a premium to its counterparty in return for taking on the credit default risk. The Company may only conclude simple, standardised credit default swaps for the Investment Fund, which are to be used for hedging individual credit risks of the Investment Fund. The specifications for swaps shall also apply accordingly.

- Securitised financial instruments

The Company may also buy the financial instruments described above on behalf of the Fund, if they have been securitised. It is also possible for the transactions involving the financial instruments to be only partly securitised (e.g. bonds with warrants). The statements concerning risks and opportunities apply to such securitised financial instruments accordingly, provided the risk of loss of such securitised financial instruments is limited to the value of the transferable security.

- OTC derivative transactions

For the account of the Fund, the Company may enter into derivative transactions admitted for trading on a stock exchange or included in another organised market, but also in so-called over-the-counter (OTC) transactions.

The Company shall only be allowed to enter into derivatives transactions neither admitted for trading on a stock exchange nor included in another organised market with suitable credit institutions or financial services providers within standardised framework agreements. In the case of OTC traded derivatives, the counterparty risk associated with a counterparty must not exceed 5% of the Investment Fund's assets. If the counterparty

is a credit institution established in the EU, an EEA signatory state or a non-EU member state with a comparable level of prudential supervision, the counterparty risk may be up to 10% of the Investment Fund's assets. Derivatives traded over the counter, which are concluded with a central clearing house of a stock exchange or another organised market as party to the contract, shall not be considered in the counterparty limits, provided the derivatives are subject to daily valuation at market prices with daily margin settlement. Claims of the Investment Fund against intermediate dealers shall, however, be counted towards the limit even if the derivative is traded on a stock exchange or another organised market.

### Leverage

Leverage denotes any method used by the Company to increase the investment rate of the Fund. This may be done through borrowing, transferable securities loans, leverage funding embedded in derivatives, or in any other way. The possibility of using derivatives and of concluding transferable securities lending transactions has already been described in the section entitled "Derivatives" in the special part of the Sales Prospectus and in the section entitled "Transferable securities lending transactions" in the general part of the Sales Prospectus. The possibility of using credit is explained in the section "Borrowing" in the general part of the Sales Prospectus.

The Company applies the following principles with respect to leverage:

The Company invests the capital entrusted to it on behalf of the Investment Fund while taking account of the statutory and prudential supervisory requirements, in particular the Derivatives Regulation. In addition, the various specific investment restrictions are observed. While observing the relevant investment restrictions, derivatives, transferable securities lending and repurchase transactions, as well as short-term loans may be used to leverage the Investment Fund's assets. The associated risks are identified, assessed, monitored and controlled by the Company. In case of any violations to the applicable restrictions, real-time correction is monitored and the management of the Company is informed accordingly.

The use of derivatives is not allowed to more than double the market risk (see the section "Derivatives" in the special part of the Sales Prospectus).

The calculation of the leverage must take account both of derivatives and of any effects of the reinvestment of collateral in connection with transferable securities lending and repurchase transactions. In each case, the leverage is calculated by dividing the total exposure of the Fund by its net asset value. For the purpose of simple calculation, the applicable amount for the leverage is based on gross values, i.e. without offsetting/inclusion of collateral transactions.

The maximum leverage anticipated by the Company based on the gross value method is 800%.

**However, depending on market conditions, this leverage may fluctuate, such that the stipulated maximum leverage amounts may be exceeded, despite ongoing monitoring by the Company.**

### Marketing and minimum investment

No minimum investment amount has been set for the UniGlobal unit class.

The minimum investment amount for the UniGlobal I unit class is EUR 100,000.

The sales agents listed at the end of the Sales Prospectus have agreed to market the Fund and/or unit classes.

### Initial sales charge and issue costs

When determining the issue price, an initial sales charge of up to 5% may be added to the relevant unit value of a unit class.

For units of the UniGlobal unit class, this initial sales charge is currently 5% of the unit value.

An initial sales charge is not currently charged for the UniGlobal I unit class.

If an initial sales charge is calculated, this may reduce or even completely offset the performance, particularly during short investment periods. The initial sales charge is essentially a fee for distributing the units of the Investment Fund/unit classes. The Company may pass on the initial sales charge, either in whole or in part, as compensation for marketing services to other intermediary agents.

### Redemption fee

A redemption fee is not charged for the UniGlobal and UniGlobal I unit classes.

### Charges

Management fee:

For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day.

The following management fee is currently charged for the issued unit classes:

UniGlobal:	1.2%
UniGlobal I:	0.7%

of the asset value determined on each trading day.

Since 1 July 2008, the aforementioned management fee has been charged for the UniGlobal unit class and has remained unchanged.

Since 1 July 2008, the aforementioned management fee has been charged for the UniGlobal I unit class and has remained unchanged.

Flat fee:

From the Investment Fund's assets, the Company receives a daily flat fee of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day.

At present, a flat fee of 0.25% of the asset value calculated on each trading day is charged to the Investment Fund.

Collateral manager fee:

At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.01% of the asset value established on each trading day.

Maximum limit:

The amount which may be deducted daily from the Investment Fund for the management fee, flat fee and collateral manager fee may, on an annual basis, not exceed a total of 1.85% of the net asset value, as determined on each trading day.

Additional rules in connection with the purchase and redemption of investment units:

The Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

### Financial year and use of income

The financial year of the Investment Fund ends on 30 September of each year. The annual reports will be published on 30 September and the half-yearly reports on 31 March.

For the UniGlobal unit class, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. This shall be done within four months following the end of the financial year. In addition, interim distributions may be paid at any time. Any sales gains and other income may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.

The distribution is calculated on the basis of §§ 11 and 12 of the Capital Investment Accounting and Valuation Directive (*Kapitalanlage-Rechnungslegungs- und Bewertungsverordnung* — hereinafter: "KARBV").

For units held on a securities account with Union Investment Service Bank AG or the depository, distributions will be credited free of charge. Additional costs may be incurred if the securities account is held at other credit institutions.

Coupons issued by the Investment Fund may be redeemed free of charge at the sales and paying agents listed at the end of the Sales Prospectus, as well as at the Depository. Additional fees may be charged when redeeming coupons at other credit institutions.

For the UniGlobal I unit class, income is not distributed, but rather reinvested in the Investment Fund (accumulating).

# General Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Investment Fund pursuant to the UCITS Directive managed by the Company; these Terms of Contract shall only be valid in combination with the Special Terms of Contract issued for the relevant UCITS investment fund.

## § 1 Basic principles

1. The Company is a UCITS management company and is subject to the provisions of the KAGB.
2. The Company invests the capital deposited with it in its own name and for the joint account of the investors, but separately from its own assets in the form of a UCITS investment fund. It invests this capital pursuant to the principle of risk spreading in assets permitted under the KAGB. It issues instruments (unit certificates) concerning the rights of the investors resulting therefrom.
3. The UCITS investment fund is subject to BaFin prudential supervision regarding collective investment schemes pursuant to the KAGB. The corporate purpose of the UCITS investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.
4. The legal relationship between the Company and the investor is governed by the General Terms of Contract and the Special Terms of Contract of the UCITS investment fund, as well as the KAGB.

## § 2 Depositary

1. The Company shall appoint a credit institution as the depositary of the UCITS investment fund; this depositary shall act independently of the Company and exclusively in the interest of the investors.
2. The duties and obligations of the depositary are governed by the depositary agreement made with the Company in accordance with the KAGB and the General Terms of Contract and Special Terms of Contract.
3. The depositary may outsource the depositary duties in line with § 73 KAGB to another company (sub-depositary). Further information on this can be found in the Sales Prospectus.
4. The depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument held in its safekeeping or the safekeeping of a sub-depositary to whom the safekeeping of the financial instruments in accordance with § 73(1) KAGB has been delegated. The depositary is not liable if it can prove that the loss is attributable to external events, the consequences of which were inevitable despite all appropriate countermeasures. Further claims resulting from the provisions of civil law arising from agreements or tort shall not be affected. The depositary is also liable vis-à-vis the UCITS or the investors for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the provisions of the KAGB. The liability of the depositary shall not be affected by any transfer of the depositary duties in accordance with the first sentence of section (3) above. The Company is authorised to grant the depositary in accordance with § 77(4) or (5) KAGB the option of exemption of liability for the loss of financial instruments which are held in custody by a sub-depositary. If the depositary makes use of this option, the Company can enforce damages claims due to the loss of financial instruments held with a sub-depositary against the respective sub-depositary in place of the depositary.

## § 3 Fund management

1. The Company shall purchase and manage the assets in its own name for the collective account of the investors with the due skill, honesty, care and diligence. It acts independently of the depositary and solely in the interests of the investors when carrying out its tasks.
2. The Company shall be authorised to purchase and resell assets with the money deposited by investors, and to otherwise invest the proceeds; it shall also be authorised to perform all

other legal acts resulting from the management of the assets.

3. The Company may neither lend money nor assume obligations resulting from guarantees or guarantee agreement for the collective account of investors; it may not sell assets pursuant to §§ 193, 194 and 196 KAGB which are not held by the UCITS investment fund at the time the transaction is concluded. This is without prejudice to § 197 KAGB.

## § 4 Investment principles

The UCITS investment fund will place direct or indirect investments in accordance with the principle of risk spreading. The Company shall only acquire assets for the UCITS investment fund which are expected to generate income and/or growth. It stipulates the assets eligible for purchase on behalf of the UCITS investment fund in the Special Terms of Contract.

## § 5 Transferable securities

Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – only buy transferable securities for the UCITS investment fund, provided:

- (a) these are admitted to trading on a stock exchange of an EU member state or a signatory state of the Agreement on the European Economic Area (EEA), or are admitted to trading on or included in another organised market in any such state;
- (b) these are exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>1)</sup>,
- (c) their admission to trading on a stock exchange in an EU member state or EEA signatory state, or their admission to trading on an organised market or their inclusion in such a market in an EU member state or EEA signatory state must be applied for according to their terms of issue, and provided the admission or inclusion of these transferable securities takes place within one year of their issue;
- (d) their admission to trading on a stock exchange or their admission to trading on or inclusion in an organised market outside of the EU or EEA must be applied for according to their terms of issue, provided that this choice of exchange or organised market has been approved by BaFin and that the admission or inclusion of these transferable securities takes place within one year of their issue;
- (e) these are shares to which the UCITS investment fund is entitled in the event of a capital increase from company funds;
- (f) these are purchased by exercising subscription rights held by the UCITS investment fund;
- (g) these are units of closed-end funds meeting the criteria laid down in § 193(1)(7) KAGB;
- (h) these are financial instruments meeting the criteria laid down in § 193(1)(8) KAGB.

The purchase of transferable securities pursuant to (a)–(d) above shall only be allowed if the conditions of the final paragraph of § 193(1) KAGB have also been met.

## § 6 Money market instruments

1. Unless additional restrictions are imposed by the Special Terms of Contract, the Company may – subject to § 198 KAGB – acquire, for the account of the UCITS investment fund, instruments which are normally traded on the money market, as well as interest-bearing transferable securities which at the time of purchase for the UCITS investment fund have a residual maturity not exceeding 397 days, the interest rate of which is, according to the terms of issue, regularly adjusted to market conditions over their entire term (or at least once every 397 days) or the risk profile of which is similar to the risk profile of such transferable securities (money market instruments).

Money market instruments may only be acquired for the UCITS investment fund, provided these are:

- (a) admitted to trading on a stock exchange of an EU member state or an EEA signatory state, or are admitted to trading on or included in another organised market in any such state;

- (b) exclusively admitted to trading on a stock exchange in a state outside the EU or EEA, or are admitted to trading or included in another organised market in any such state, if this choice of stock exchange or organised market has been approved by BaFin<sup>2)</sup>,
- (c) issued or guaranteed by the EU, the Federal Republic of Germany, a German federal government fund, a German federal state, another EU member state or another national, regional or local body or the central bank of an EU member state, the European Central Bank or European Investment Bank, a non-member state of the EU or, if such country is a federation of states, by one of the members making up the federation, or a public international body to which one or more EU member states belong;
- (d) issued by a company whose transferable securities are traded on one of the markets specified under points (a) and (b),
- (e) issued or guaranteed by a credit institution subject to prudential supervision in accordance with the criteria established under European Union law, or by an establishment which is subject to and complies with prudential rules considered by BaFin to be at least as stringent as those laid down by European Union law; or
- (f) issued by other bodies which comply with the requirements laid down in § 194 (1)(6) KAGB.

2. Money market instruments within the meaning of section (1) above shall only be acquired if they meet the relevant requirements of § 194(2) and (3) KAGB.

## § 7 Bank balances

The Company may hold bank balances on behalf of the UCITS investment fund with a maximum term of 12 months. The amounts to be held in blocked accounts may be held with a credit institution established in an EU member state or an EEA signatory state; however, these amounts may also be held with a credit institution established in a non-EU member state with prudential supervisory provisions that are considered by BaFin to be at least as stringent as those laid down by EU law. Unless otherwise specified in the Special Terms of Contract, the bank balances may also be denominated in foreign currency.

## § 8 Investment fund units

1. Unless otherwise specified in the Special Terms of Contract, the Company may acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS Directive) on behalf of a UCITS investment fund. Units of other domestic investment funds and investment companies with variable capital, as well as units of foreign open-end investment funds which are not units of EU UCITS, may be purchased, provided that they meet the requirements of the last paragraph of § 196(1) KAGB.
2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, EU UCITS and foreign open-end investment funds which are not EU UCITS, if the terms of contract or the articles of association of the UCITS management company, investment company with variable capital or foreign open-end investment fund or foreign management company are permitted to invest a maximum of 10% of the value of its assets in units of other domestic investment funds, investment companies with variable capital or foreign open-end investment funds within the meaning of the last paragraph of § 196(1) KAGB.

## § 9 Derivatives

1. Within the scope of the management of the UCITS investment fund and unless otherwise specified in the Special Terms of Contract, the Company may buy derivatives pursuant to § 197(1) KAGB and financial instruments with derivative components pursuant to § 197(1) KAGB. Depending on the types and volume of derivatives and financial instruments with derivative components used, the Company may use either the simple or the qualified approach pursuant to the regulation on risk management and risk measurement when using derivatives, securities lending transactions and repurchase agreements in connection with investment funds pursuant to the KAGB (DerivateV) enacted in accordance with § 197(3) KAGB, to ascertain the degree of market risk, the limit of which is established under § 197(2) KAGB for the use of

1) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

2) The list of stock exchanges is published on BaFin's website (<http://www.bafin.de>);

derivatives and financial instruments with derivative components; for further details, please refer to the Sales Prospectus.

- Should the Company opt for the simple approach, it may regularly use only basic forms of derivatives, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components or combinations of underlying assets permitted pursuant to § 197(1) KAGB for the account of the UCITS investment fund. Complex derivatives comprising underlying assets as defined in § 197(1) KAGB may only be used on a negligible scale. The amounts to be taken into consideration for the UCITS investment fund under § 16 DerivateV for the interest-rate risk may not at any time exceed the value of the UCITS investment fund.

The basic forms of derivatives are:

- Futures/forwards with underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB;
  - Options or warrants on underlyings pursuant to § 197(1) KAGB, with the exception of investment units pursuant to § 196 KAGB, and on futures/forwards pursuant to letter (a) featuring the following characteristics:
    - exercise is possible either over the entire term or at the end of the term, and
    - the value of the option at the exercise date is linearly dependent on the positive or negative difference between the underlying price and the market price of the underlying, and becomes zero if the difference has the opposite (positive/negative) sign;
  - interest rate swaps, currency swaps or interest-currency swaps;
  - options on swaps pursuant to (c), provided these have the characteristics specified under (b)(aa) and (bb) (swaptions);
  - credit default swaps, provided these are used exclusively and plausibly for hedging the credit risks of specifically attributable assets of the UCITS investment fund.
- Should the Company use the qualified approach, it may – provided it maintains an appropriate risk management system – invest in any financial instruments with derivative components or in derivatives derived from an underlying asset permissible under § 197(1) KAGB.

In this context, however, the potential risk amount of the market risk ("risk amount") attributable to the UCITS investment fund must never exceed twice the potential risk amount of the market risk of the applicable reference assets pursuant to § 9 DerivateV. Alternatively, the risk amount may not at any time exceed 20% of the value of the UCITS investment fund.

- Under no circumstances may the Company deviate from the investment principles and investment limits specified in the General Terms of Contract or Special Terms of Contract or in the Sales Prospectus in relation to such transactions.
- The Company shall use derivatives and financial instruments with derivative components for hedging purposes, efficient portfolio management and in order to achieve additional income, if and in so far as it considers this to be in the interests of investors.
- When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may at any time switch from the simple to the qualified approach pursuant to § 6 DerivateV. The switch to the qualified approach shall not require BaFin approval; however, the Company must notify BaFin promptly of this switch and publish it in the following half-yearly or annual report.
- When using derivatives and financial instruments with derivative components, the Company shall comply with the DerivateV.

## § 10 Other investment instruments

Unless otherwise specified in the Special Terms of Contract, the Company may invest on behalf of the UCITS investment fund up to 10% of the value of the UCITS investment fund in other investment instruments pursuant to § 198 KAGB. This limit includes holdings in companies which are not admitted for trading on a stock exchange or admitted to trading on or included in another organised market.

The holdings in a company acquired within the scope of § 198 KAGB may not exceed 10% of the capital of the respective company.

## § 11 Issuer limits and investment limits

- In its management activities, the Company shall comply with the investment limits and restrictions specified in the KAGB, the DerivateV and the Terms of Contract.
- Transferable securities and money market instruments (including securities acquired under repurchase agreements and money market instruments of the same issuer) may be acquired up to a value of 5% of the UCITS investment fund. However, up to 10% of the value of the UCITS investment fund may be invested in these transferable securities if this is stipulated in the Special Terms of Contract and the total value of the transferable securities and money market instruments of these issuers does not exceed 40% of the value of UCITS investment fund.
- The Company shall be allowed to invest up to 35% of the UCITS investment fund's assets each in bonds, borrower's note loans and money market instruments issued or guaranteed by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, a signatory state of the EEA, a non-EU member state or an international organisation to which at least one EU member state belongs.
- The Company shall be allowed to invest up to 25% of the UCITS investment fund's assets each in mortgage bonds, municipal bonds and debt obligations issued by credit institutions established in an EU member state or EEA signatory state, provided that the credit institutions are subject by law to special public supervision designed to protect the holders of such debt obligations, and that the sums deriving from the issue of these bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If the Company invests more than 5% of the value of the UCITS investment fund in bonds issued by a single issuer in accordance with sentence 1, the total value of such bonds may not exceed 80% of the value of the UCITS investment fund.
- The limit set out in section (3) may be exceeded in the case of transferable securities and money market instruments of a single issuer pursuant to § 206(2) KAGB, if permitted by the Special Terms of Contract with regard to the issuers named therein. In such cases, the transferable securities and money market instruments held on behalf of the UCITS investment fund must originate from at least six different issues, and no single issue may exceed 30% of the value of the UCITS investment fund.
- The Company may not invest more than 20% of the UCITS investment fund's assets in bank balances falling under § 195 KAGB at a single credit institution.
- The Company shall ensure that a combination of:
  - transferable securities or money market instruments issued by a single institution,
  - deposits with such institution and
  - amounts to be applied for the counterparty risk for transactions entered into with this institutiondoes not exceed 20% of the value of the UCITS investment fund. Sentence 1 applies to the issuers and guarantors listed in sections (3) and (4), provided that the Company has to ensure that a combination of the assets and applicable amounts referred to in sentence 1 does not exceed 35% of the value of the UCITS investment fund. In both cases, the relevant individual limits shall remain unaffected.
- The bonds, borrower's note loans and money market instruments specified in sections (3) and (4) are not taken into account in the 40% limit specified in section (2). Notwithstanding the regulation in section (7), the limits specified in sections (2)–(4) and (6)–(7) may not be accumulated.
- The Company may only invest up to 10% of the UCITS investment fund's assets in units of investment funds pursuant to § 8, unless
  - the following conditions are met with regard to such units:

The UCITS, AIF or manager of the AIF in which the units are acquired is subject to supervision for collective investment schemes in its country of establishment. The corporate purpose of the respective investment fund is limited to investing in accordance with a specified investment strategy within the framework of collective asset management, using the funds deposited with it. It does not have an operating function or active business control of the assets held.

In principle, investors may, at any time, exercise the right to redeem their units.

The respective investment fund will invest directly or indirectly in accordance with the principle of risk spreading.

At least 90% of the assets of the respective investment fund are invested in the following type of investments:

- transferable securities,
- money market instruments,
- derivatives,
- bank balances,
- units or shares of domestic or foreign investment funds which comply with the conditions of points (i) or (ii) of the present section (9) ("Investment funds"),
- holdings in corporate entities, if the market value of these holdings can be determined, and
- unsecured loan claims for which a borrower's note has been issued.

Within the framework of the supervisory and contractual investment limits for the respective investment fund, up to 20% of the value of the respective investment fund may be invested in holdings in companies which are neither admitted to trading on a stock exchange nor admitted to trading on or included in another organised market.

The holdings of the respective investment fund in a corporate entity may not exceed 10% of the capital of the respective corporate entity.

A loan may only be taken out for a short term and for up to a maximum of 10% of the value of the respective investment fund's assets.

The investment terms of the respective investment fund must reflect the aforementioned requirements; if the respective investment fund is a UCITS, then these must reflect the relevant prudential supervisory stipulations;

or

(ii) the respective investment fund is subject to a grandfather regulation under fiscal law with respect to investment tax legislation.

- The Company may only invest up to 20% of the UCITS investment fund's assets in units of any single investment fund pursuant to § 196(1) KAGB. Overall, the Company may only invest up to 30% of the UCITS investment fund's assets in units of investment funds pursuant to the last paragraph of § 196(1) KAGB. On behalf of the UCITS investment fund, the Company may not acquire more than 25% of the issued units of another open-end, German, EU or foreign investment fund, which has invested in accordance with the principle of risk spreading in assets within the meaning of §§ 192–198 KAGB. The limits stated in section (9) remain unaffected.

## § 12 Merger

- Pursuant to §§ 181–191 KAGB, the Company may
  - transfer all assets and liabilities of this UCITS investment fund to another existing or a newly-formed UCITS investment fund established thereby, or to an EU UCITS or a UCITS investment company with variable capital;
  - absorb all assets and liabilities of another open-end investment fund, an EU UCITS or an investment company with variable capital into this UCITS investment fund.
- The merger must be authorised by the relevant supervisory authorities. Details of the procedure are set forth in §§ 182–191 KAGB.
- The UCITS investment fund may only be merged with an investment fund that is not a UCITS, if the absorbing or newly-established investment fund will henceforth be a UCITS. Moreover, EU UCITS may also be merged into the UCITS investment fund in accordance with the stipulations of Article 2(1)(p)(iii) of Directive 2009/65/EC.

## § 13 Transferable securities lending

- On behalf of the UCITS investment fund, the Company may grant a transferable securities loan, which can be called at any time, to a securities borrower in return for market-rate compensation after the transfer of sufficient collateral in accordance with § 200(2) KAGB. The market value of the securities to be transferred, together with the market value of the securities already transferred, as a securities loan on behalf of the UCITS investment fund to the same securities borrower, including group companies within the meaning of § 290 HGB, may not exceed 10% of the UCITS investment fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided in cash, the sum must be held in blocked accounts in accordance with § 200(2)(1) KAGB. Alternatively, the Company may make use of the option of investing this sum in the currency provided in the following assets:

- (a) in high-quality bonds issued by the Federal Republic of Germany, a German federal state, the EU, an EU member state or its local bodies, an EEA signatory state or a non-EU member state;
- (b) in money market funds with a short maturity structure corresponding to the guidelines set forth by BaFin on the basis of § 4(2) KAGB; or
- (c) by way of a repurchase agreement with a credit institution that guarantees the repayment of the accrued cash amount at any time.

The UCITS investment fund shall be entitled to the income from investing the collateral.

3. The Company may also make use of a system for brokering and processing securities loans, organised by a central depository for transferable securities or by another company stated in the Special Terms of Contract whose corporate purpose is the processing of international securities transactions for others, which deviates from the requirements stated in §§ 200 and 201 KAGB, provided the terms of such system guarantee that the interests of the investors are protected and there is no deviation from the right of termination at any time in accordance with section (1) above.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also extend transferable securities loans in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 14 Repurchase agreements

1. On behalf of the UCITS investment fund, the Company may enter into securities repurchase agreements which may be terminated at any time pursuant to § 340b(2) HGB with credit institutions or financial services providers based on the standardised framework agreement and in return for compensation.
2. The repurchase agreements must have transferable securities as their underlying assets, which the UCITS investment fund is permitted to acquire under the Terms of Contract.
3. Repurchase agreements shall be limited to a term of 12 months.
4. Unless otherwise specified in the Special Terms of Contract, the Company may also enter into repurchase agreements in connection with money market instruments and investment units, provided that the UCITS investment fund is permitted to acquire such assets. The provisions of sections (1)–(3) shall apply accordingly.

#### § 15 Borrowing

On the collective behalf of the investors, the Company may take out short-term loans amounting to up to 10% of the UCITS investment fund's assets, provided the loan is made under normal market terms and the depository agrees to the loan.

#### § 16 Unit certificates

1. Unit certificates are in bearer form and are issued for one unit or several units.
2. The units may have different characteristics, especially regarding the use of income, the initial sales charge, the redemption fee, the currency of the unit value, the management fee and the minimum investment amount, or a combination of these characteristics (unit classes). For details, please refer to the Special Terms of Contract.
3. The unit certificates shall bear at least the handwritten signatures or the copied signatures of the Company and the depository.
4. The units are transferable. The transfer of a unit certificate also entails the transfer of the rights securitised therein. For the Company, the holder of the unit certificate shall in all cases be regarded as the beneficiary.
5. If it has been decided that the rights of the investors upon foundation of the UCITS investment fund or the rights of the investors of a unit class upon inception of the unit class shall not be securitised exclusively in a single global certificate, but in individual unit certificates or in collective unit certi-

ates, such determination shall be specified in the Special Terms of Contract.

#### § 17 Issue and redemption of unit certificates, and redemption suspension

1. In principle, the number of units issued and the corresponding number of unit certificates is not limited. The Company reserves the right to suspend or permanently discontinue the issue of units.
2. The units may be purchased from the Company, the depository or through a third party.
3. The investors may require the Company to redeem the units. The Company shall be obliged to redeem the units at the relevant applicable redemption price on behalf of the UCITS investment fund. The redemption agent is the depository.
4. However, the Company reserves the right to suspend unit redemption in accordance with § 98(2) KAGB in the event of extraordinary circumstances that make this suspension appear necessary in the interests of the investors.
5. The Company shall inform the investors of any suspension pursuant to section (4) and the resumption of redemption by means of publication of a notice in the German Federal Gazette, as well as a financial or daily newspaper with sufficient circulation or in the electronic media stated in the Sales Prospectus. Following the publication of a notice in the German Federal Gazette, investors shall be immediately informed by means of a permanent data carrier of the suspension and resumption of unit redemption.

#### § 18 Issue and redemption prices

1. For the purpose of calculating the issue and redemption prices of units, the market value of the assets held by the UCITS investment fund less loans and other liabilities (net asset value) shall be determined and divided by the number of units issued (unit value). Should different unit classes be established for the UCITS investment fund pursuant to § 16(2), the unit value, as well as the issue and redemption prices, shall be calculated separately for each unit class.

The assets shall be valued in accordance with §§ 168 and 169 KAGB and the KARBV.

2. The issue price equals the unit value of the UCITS investment fund, where applicable, plus an initial sales charge, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB. The redemption price equals the unit value of the UCITS investment fund, where applicable, less a redemption fee, as stated in the Special Terms of Contract pursuant to § 165(2)(8) KAGB.
3. The settlement day for unit purchases and redemption orders shall be no later than the value determination day following receipt of the unit request and/or redemption order, unless otherwise specified in the Special Terms of Contract.
4. The issue and redemption prices shall be calculated on each trading day. Unless otherwise specified in the Special Terms of Contract, the Company and the depository may refrain from calculating the value on public holidays which are stock exchange trading days, as well as on 24 and 31 December of each year. For further details, see the Sales Prospectus.

#### § 19 Costs

The Special Terms of Contract shall state the expenses and the remunerations due to the Company, the depository and third parties, which may be charged to the UCITS investment fund. In addition, the Special Terms of Contract specify the manner, the amount and the calculation basis of any remunerations specified in the preceding sentence.

#### § 20 Financial reporting

1. No later than four months after the end of the UCITS investment fund's financial year, the Company shall issue an annual report, including an income statement pursuant to § 101(1) and (2) KAGB.
2. No later than two months after the middle of the financial year, the Company shall issue a half-yearly report pursuant to § 103 KAGB.
3. In the event that the right to manage the UCITS investment fund is transferred to another management company or the UCITS investment fund is merged with another investment fund or EU UCITS investment fund during the financial year, the Company shall prepare an interim report covering the period up to the effective transfer date, which shall comply with

the requirements for an annual report pursuant to § 101(1) and (2) KAGB.

4. If the UCITS investment fund is liquidated, the depository shall draw up a liquidation report each year, and on the day on which the liquidation is completed, which complies with the requirements for an annual report in accordance with section (1).
5. The reports can be obtained from the Company, the depository and other sources specified in the Sales Prospectus and the KIID; a notice thereof will also be published in the German Federal Gazette.

#### § 21 Termination and liquidation of the UCITS investment fund

1. The Company may cease managing the UCITS investment fund subject to at least six months' prior notice via publication of a notice in the German Federal Gazette, as well as in the annual or half-yearly report. Investors shall be immediately informed by means of a permanent data carrier of any termination as notified pursuant to sentence 1.
2. On the date on which termination takes effect, the right of the Company to manage the UCITS investment fund shall expire. In this case, the UCITS investment fund and/or the right of disposal over the UCITS investment fund shall be transferred to the depository for its liquidation and distribution to the investors. The depository shall be entitled to a fee for carrying out its liquidation duties during the liquidation period, as well as to the reimbursement of its expenses incurred as a necessary part of the liquidation. With BaFin approval, the depository may refrain from the liquidation and distribution, and appoint another management company to manage the UCITS investment fund in line with the current Terms of Contract.
3. For the day on which the Company's management right expires pursuant to § 99 KAGB, it shall prepare a liquidation report which complies with the requirements for an annual report pursuant to § 20(1).

#### § 22 Amendments to the Terms of Contract

1. The Company may amend the Terms of Contract.
2. Amendments to the Terms of Contract are subject to prior approval by BaFin. If the amendments falling under sentence 1 pertain to the investment principles of the UCITS investment fund, they shall require the prior consent of the Company's Supervisory Board.
3. All planned amendments shall be published in the German Federal Gazette, as well as in a financial or daily newspaper with sufficient circulation or in the electronic media specified in the Sales Prospectus. Any publication pursuant to sentence 1 shall state the planned amendments and their effective date. In the event of changes to regulations pertaining to costs pursuant to § 162(2)(11) KAGB, changes to the investment principles of the UCITS investment fund pursuant to § 163(3) KAGB or changes to the principal rights of investors, investors must be informed, simultaneously to the publication in accordance with sentence 1, of the main contents of the planned amendments to the Terms of Contract and the reasons therefor, as well as information regarding their rights pursuant to § 163(3) KAGB, in a comprehensible manner and by way of a permanent data carrier in accordance with § 163(4) KAGB.
4. The amendments shall come into force at the earliest on the day following their notification in the German Federal Gazette or, in the event of changes to costs or investment principles, no earlier than three months after the corresponding notification.

#### § 23 Place of performance, jurisdiction

1. The place of performance shall be the registered office of the Company.
2. If the investor does not have a local general jurisdiction, the registered office of the Company shall be regarded as the non-exclusive place of jurisdiction.

# Special Terms of Contract

Governing the legal relationship between the investors and Union Investment Privatfonds GmbH, Frankfurt / Main (hereinafter: the "Company") concerning the Company-managed UCITS investment fund pursuant to the UCITS Directive (hereinafter: "investment fund")

## UniGlobal

which shall only apply together with the General Terms of Contract prepared by the Company for this investment fund.

## Investment principles and investment limits

### § 1 Assets

The Investment Fund may invest in

- 1) **Transferable securities** pursuant to § 193 KAGB,
- 2) **Money market instruments** pursuant to § 194 KAGB,
- 3) **Bank balances** pursuant to § 195 KAGB,
- 4) **Investment units** pursuant to § 196 KAGB,
- 5) **Derivatives** pursuant to § 197 KAGB, and
- 6) **Other investment instruments** pursuant to § 198 KAGB.

### § 2 Investment limits

1. At least 51% of the value of the Investment Fund must consist of equities issued by domestic and foreign borrowers. Interest-bearing transferable securities may be acquired on a temporary basis.
2. Transferable securities acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
3. The Company may invest up to 49% of the Investment Fund's assets in all money market instruments permitted in accordance with § 6 of the General Terms of Contract.
4. Money market instruments acquired under repurchase agreements shall be included in the investment limits of § 206(1)-(3) KAGB.
5. Transferable securities and money market instruments of a single issuer may be acquired up to a value of 10% of the Investment Fund's assets and the total value of the transferable securities and money market instruments of this issuer may not exceed 40% of the Investment Fund's assets.
6. Up to 49% of the Investment Fund's assets may be held in bank balances in accordance with § 7 of the General Terms of Contract.
7. Up to 10% of the Investment Fund's assets may be held in all investment units permissible pursuant to § 8 of the General Terms of Contract. The investment units acquired under repurchase agreements shall be included in the investment limits of § 207 and § 210(3) KAGB.

## Unit classes

### § 3 Unit classes

1. For the Investment Fund, it is possible to create unit classes within the meaning of § 16(2) of the General Terms of Contract. Such unit classes may differ regarding the use of income, the initial sales charge, the currency of the unit value (including the use of currency hedging), the management fee and the minimum investment amount, or a combination of these characteristics. Unit classes may be formed at any time and at the discretion of the Company. Units of a unit class need not be in circulation.
2. The value of a unit class shall be calculated at the time its units are first issued on the basis of the value determined for the entire Investment Fund, pursuant to § 168(1) KAGB. The unit value shall be calculated separately for each unit class by attributing the costs for the launch of new unit classes, distributions (including any taxes to be paid out of the Fund's assets), the management fee and the results of currency hedging transactions related to a certain unit class, including, as the case may be, any income adjustment, exclusively to the relevant unit classes.
3. The existing unit classes shall be itemised separately in the Sales Prospectus, as well as in the annual and half-yearly reports. The characteristics of the unit classes are described in-

dividually in the Sales Prospectus, as well as in the annual and half-yearly reports.

4. Currency hedging transactions may be concluded exclusively in favour of an individual currency unit class. With regard to currency unit classes with a currency hedge in favour of the currency of this unit class (reference currency), the Company may also, notwithstanding § 9 of the General Terms of Contract, use exchange rate or currency derivatives pursuant to § 197(1) KAGB with the aim of avoiding losses in unit value resulting from exchange rate losses relating to fund assets that are not denominated in the reference currency for the unit class. Such usage of derivatives may not have any effect on other unit classes.

## Unit certificates, issue price, redemption price, unit redemption and costs

### § 4 Unit certificates

1. Investors' rights are denominated in individual unit certificates or collective certificates (physical certificates). In order to cover the collective deposits in the central depository for transferable securities, unit certificates for a larger number of units (global certificates) may be issued. The Company may stop issuing physical units; in this case, it shall only be possible to acquire units if these are held in custody.
2. The investors are fractional co-owners of the Investment Fund's respective assets in proportion to their number of units.

### § 5 Issue and redemption prices; valuation of units and liquidation

1. Issue and redemption prices shall be determined for each trading day in Frankfurt / Main (value determination day). The issue and redemption prices for a value determination day shall be established on the trading day following this value determination day (valuation day).
2. The initial sales charge amounts to 5% of the unit value. The Company is entitled to charge a lower or no initial sales charge for the Investment Fund or for one or more unit classes. If the Company launches unit classes, it shall specify the individual initial sales charges calculated in the Sales Prospectus, as well as in the annual and half-yearly reports. No redemption fee shall be applied.
3. Unit purchase and redemption orders received by 16:00 on a value determination day shall be executed at the issue or redemption price ascertained for this value determination day in accordance with section (1). The corresponding settlement for investors shall also be carried out on the valuation day for this value determination day. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.
4. Unit purchase and redemption orders received after 16:00 on a value determination day or on a day other than a value determination day shall be processed on the following value determination day (value determination day + 1) and shall be settled at the issue or redemption price ascertained for this value determination day + 1. The corresponding settlement for investors shall be carried out on the corresponding valuation day for this value determination day + 1. The issue price shall be payable in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day. The redemption price shall be paid in the currency of the Fund within two bank working days (at the banking centre of Frankfurt / Main) of the relevant valuation day.

### § 6 Costs

Fees payable to the Company

1. For the management of the Investment Fund, the Company shall receive a daily fee amounting to 1/365 (in leap years: 1/366) of up to 1.25% of the asset value calculated on each trading day. The Company is entitled to charge a lower management fee for the Investment Fund or on a pro rata basis for one or more unit classes. If the Company launches unit classes, it shall specify the individual management fees in the

Sales Prospectus, as well as in the annual and half-yearly reports.

2. Furthermore, in return for arranging, preparing and conducting securities lending and repurchase transactions on behalf of the Fund, the Company also receives a flat fee of up to 49% of the income from the transactions. The costs arising from preparing and conducting such transactions, including the fees to be paid to third parties, shall be borne by the Company. The Company stipulates the respective flat fees levied for arranging, preparing and conducting securities lending and securities repurchase transactions in the Sales Prospectus.

3. In addition, the Company shall receive a daily flat fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.5% of the asset value calculated on each trading day. The flat fee shall cover the following payments and expenses, which are not charged separately to the Investment Fund:

- (a) depository fee;
- (b) custody and depository fees, for the safekeeping of assets, in line with standard banking practice;
- (c) costs of the auditing of the Investment Fund by its independent auditors;
- (d) costs of publishing the tax bases and certifying that the tax statements have been drawn up pursuant to German tax regulations;
- (e) costs of appointing voting proxies;
- (f) fee for data provision and maintenance;
- (g) reporting fees;
- (h) fees for the accounting services of the Investment Fund;
- (i) fees in connection with the supervision and risk management of the Investment Fund (risk controlling).

The flat fee may be deducted from the Investment Fund's assets at any time. The Company will specify the flat fee in the Sales Prospectus, as well as in the annual and half-yearly reports.

Fees payable to third parties

4. At present, the Company pays the collateral manager of derivative transactions a daily fee from the Investment Fund of 1/365 (in leap years: 1/366) of up to 0.1% of the asset value calculated on each trading day. The Company specifies the fee payable to third parties in the Sales Prospectus.
5. The amount which may be deducted daily from the Investment Fund in accordance with points 1, 3 and 4 above as fees may amount to an annual total of up to 1.85% of the net asset value, as determined on each trading day.

Other expenses

6. In addition to the above-mentioned fees and expenses, the following expenses are charged to the Investment Fund:
  - (a) costs for enforcing and implementing legal claims by the Company on behalf of the Investment Fund, as well as of defending claims raised against the Company at the cost of the Investment Fund;
  - (b) fees and costs imposed by government agencies with respect to the Investment Fund;
  - (c) costs of legal and tax consulting services for the Investment Fund;
  - (d) costs and any fees incurred in connection with the acquisition and/or use or appointment of a benchmark or financial index;
  - (e) taxes arising in connection with fees payable to the Company, depository and third parties, as well as the above-mentioned expenses (including taxes incurred in connection with the management and custody of assets).

Transaction costs

7. In addition to the above-mentioned fees and expenses, costs arising in connection with the acquisition and disposal of assets will be charged to the Investment Fund.

Risks in connection with the acquisition and redemption of investment units

8. The Company shall specify in the annual and half-yearly reports the amount of the initial sales charges and redemption fees paid out from the Fund the reporting period for the purchase and redemption of units pursuant to § 196 KAGB and comparable foreign units. Concerning the purchase of units managed directly or indirectly by the Company itself or by another company associated with the Company via a substan-

tive direct or indirect holding, the Company or the other company is not allowed to apply any initial sales charge or redemption fee for the purchase or redemption of units. In its annual and half-yearly reports, the Company shall specify the fee charged to the Investment Fund by the Company itself, another management company, an investment company or another company associated with the Company via a substantive direct or indirect holding or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund. However, the Company does not charge the Investment Fund any management fees for purchased units if the relevant/purchased investment fund is managed by the same Company or by another company associated with the Company via a substantive direct or indirect holding (group affiliation). This is achieved by the Company reducing its own management fee for the portion relating to units in such group target funds – up to the total amount, if applicable – by the amount of the management fee charged by the acquired group target fund.

## **Use of income and financial year**

### **§ 7 Distribution/accumulation**

1. On behalf of the Investment Fund and upon establishment of distributing unit classes, the Company shall, in principle, distribute the pro rata interest, dividends and other income – taking account of the relevant income adjustment – accruing during the financial year to the Investment Fund, which have not been used in order to cover costs. Any sales gains may also be distributed on a pro rata basis, while taking account of the relevant income adjustment.
2. Distributable pro rata income pursuant to section (1) may be carried forward for distribution in future financial years provided that the total sum of returns carried forward does not exceed 15% of the relevant value of the Investment Fund at the end of the financial year. Income from short fiscal years may be carried forward in full.
3. In the interest of capital preservation, pro rata income may be allocated for partial reinvestment in the Investment Fund, or under extraordinary circumstances, may even be reinvested in full.
4. The distribution shall be carried out annually within four months of the end of the financial year upon presentation of the unused coupon at the paying agents stated in the distribution notices.
5. Interim distributions may be paid.
6. In the event that accumulating unit classes are created, the Company shall reinvest on a pro rata basis the interest, dividends and other income accruing during the financial year to the Investment Fund that have not been used in order to cover costs – taking account of the relevant income adjustment – as well as the realised capital gains of the accumulating unit classes in the Investment Fund.

### **§ 8 Financial year**

The financial year of the Investment Fund begins on 1 October and ends on 30 September of the following year.

### **§ 9 Name change and price change for unit certificates with the name "ATLANTICFONDS"**

Unit certificates (certificates and coupons) of this Investment Fund which still bear the original name of "ATLANTICFONDS" shall be exchanged free of charge for new unit certificates at a ratio of 5:1, as calculated according to the applicable unit value. The unit certificates with the name "ATLANTICFONDS" carry the same rights as the unit certificates with the name "UniGlobal" until they are exchanged. The right to exchange unit certificates only applies to unit certificates with the name "ATLANTICFONDS" if the corresponding ratio is met.

# Performance of the fund

## Unit class

### UniGlobal

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	18.23	28.69	101.61	101.48

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Unit class

### UniGlobal I

Absolute performance of past periods, based on entire calendar years (as at 31/12/2013)

periods	1 year	3 years	5 years	10 years
in percent	18.83	30.64	106.71	-,-

Source: own calculations using the BVI method (i.e. excluding initial sales charge).

Current information relating to fund performance may be obtained from the annual and half-yearly reports, as well as the Company's website (which can be accessed via [privatkunden.union-investment.de](http://privatkunden.union-investment.de)).

**The past performance of the Investment Fund/individual unit classes is no indicator of future performance.**

## Sales and paying agents

### Sales and paying agents in the Federal Republic of Germany:

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank  
Platz der Republik  
60265 Frankfurt / Main

Registered office: Frankfurt / Main

WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Ludwig-Erhard-Allee 20  
40227 Düsseldorf

Registered office: Düsseldorf

and the credit institutions affiliated with the aforementioned cooperative central banks

### Additional information for the marketing of the Fund in the Grand Duchy of Luxembourg:

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document (hereinafter: "KIID"), the annual and half-yearly reports, as well as the issue and redemption prices, may be obtained from the paying agent and sales agent in Luxembourg (DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Luxembourg-Strassen). Additional information and documentation may also be consulted at this address. Furthermore, DZ PRIVATBANK S.A. will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions through Union Investment Privatfonds GmbH as soon as it is presented with the corresponding subscription and redemption orders.

Important notices to unitholders are published on Union Investment's website (which can be accessed via [www.union-investment.com](http://www.union-investment.com)) and, in cases expressly stipulated by law, also in the "Luxemburger Tageblatt".

#### Sales agent only:

Union Investment Luxembourg S.A.,  
308, route d'Esch,  
L-1471 Luxembourg,  
Registered office: Grand Duchy of Luxembourg

**Investors in Luxembourg are advised that the UniGlobal I unit class has not been approved for distribution by the Luxembourg financial supervisory authority and that units of this unit class may not be publicly offered to investors falling under the scope of Luxembourg law.**

### Additional information for the marketing of the Fund in Austria:

#### Paying and sales agent in Austria

Österreichische Volksbanken-Aktiengesellschaft  
Kolingasse 14-16  
A-1090 Vienna

**Investors in Austria are advised that the UniGlobal I unit class has not been approved for distribution by the Austrian Financial Markets Authority and that units of this unit class may not be publicly offered to investors falling within the scope of the Austrian Investment Fund Act.**

The Sales Prospectus containing the Contractual Terms, along with the Key Investor Information Document ("KIID"), the annual and half-yearly reports, as well as the issuing and redemption prices, may be obtained from the paying agent and sales office in Austria (Österreichische Volksbanken-Aktiengesellschaft, Kolingasse 14-16, A-1090 Vienna). Further information and documentation may also be consulted at this address.

Furthermore, Österreichische Volksbanken-Aktiengesellschaft will remit payments destined for unitholders to these unitholders and process unit subscriptions and redemptions as soon as it is presented with the corresponding subscription and redemption requests.

All funds approved for public sale in Austria that are managed by Union Investment Privatfonds GmbH may be consulted on the dedicated homepage of Union Investment for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

Important notices to unitholders will be published in the cases specified under the Austrian Investment Fund Act 2011 in the Official Gazette section of the "Wiener Zeitung", as well as on the dedicated homepage for unitholders resident in Austria, which can be accessed via [www.union-investment.com](http://www.union-investment.com).

# Investment Funds\* managed by Union Investment

UniFonds	(1956)	as well as other mutual funds suitable for institutional or profes-
UniGlobal	(1960)	sional investors:
UniRenta	(1968)	
UniRak	(1979)	UniInstitutional European MinRisk Equities (1998)
UniEuroRenta	(1984)	UniInstitutional EM Bonds Spezial (1999)
UniKapital	(1986)	UniInstitutional EM Bonds (1999)
BBV-Fonds-Union	(1986)	UniInstitutional Global Corporate Bonds (2001)
Condor-Fonds-Union	(1987)	UniInstitutional Premium Corporate Bonds (2003)
LIGA-Pax-Rent-Union	(1989)	UniInstitutional European Government Bonds Peripherie (2005)
KCD-Union Nachhaltig MIX	(1990)	UniInstitutional Euro Covered Bonds 4-6 years
SÜDWESTBANK-Interrent-UNION	(1990)	Sustainable (2006)
BBV-Invest-Union	(1991)	UniInstitutional Asset Balance (2008)
Volksbank Stuttgart RentInvest-Union	(1991)	Multi Asset Fonds Weinheim (2008)
UniNordamerika	(1993)	UniInstitutional Euro Corporate Bonds 2021 (2009)
UniDeutschland	(1994)	UniInstitutional Euro Corporate Bonds 2015 (2009)
UniJapan	(1994)	UniInstitutional Financial Bonds 2015 (2009)
UnionGeldmarktFonds	(1994)	UniInstitutional Global High Dividend Equities (2010)
LIGA-Pax-K-Union	(1994)	UniInstitutional Euro-Covered-Bonds 2016 (2011)
UniKapital -net-	(1996)	and 19 institutional investment funds **
UniFonds -net-	(1997)	
UniGlobal -net-	(1997)	* information in brackets:
UniEuropa -net-	(1997)	year of Fund launch
UniEuropaRenta -net-	(1997)	** As at: 1 February 2014
LIGA-Pax-Aktien-Union	(1997)	*** Transfer of management as at 1 April 2011
UniEuroAktien	(1998)	
GenoAS: 1	(1998)	
Uni21. Jahrhundert -net-	(1999)	
UniEuroRenta HighYield	(1999)	
Invest Euroland	(1999)	
Invest Global	(1999)	
MVB Union Global Plus	(1999)	
SÜDWESTBANK-InterShare-UNION	(1999)	
UniStrategie: Konservativ	(2000)	
UniStrategie: Ausgewogen	(2000)	
UniStrategie: Dynamisch	(2000)	
UniStrategie: Offensiv	(2000)	
MVB Renta Select 2017	(2000)	
BBBank Chance Union	(2000)	
BBBank Kontinuität Union	(2000)	
BBBank Wachstum Union	(2000)	
BBBank Dynamik Union	(2000)	
KASSELER BANK Union Select	(2000)	
UniSelection: Global I	(2001)	
KCD-Union Nachhaltig RENTEN	(2001)	
KCD-Union Nachhaltig AKTIEN	(2001)	
Profi-Balance	(2001)	
VR Sachsen Global Union	(2001)	
SÜDWESTBANK-InterSelect-UNION	(2002)	
VR Mainfranken Select Union	(2002)	
Global Select Portfolio I	(2005)	
Global Select Portfolio II	(2005)	
UniFavorit: Aktien	(2005)	
SWB Global Return Portfolio	(2006)	
UniDeutschland XS	(2006)	
GI Portfolio I	(2007)	
UniStrategie: Flexibel	(2008)	
VR-Bank Würzburg Portfolio	(2008)	
Multi-Strategie Global Union	(2008)	
VR Bank Rhein-Neckar		
Union Balance Invest	(2008)	
VR Westmünsterland Select	(2008)	
BBBank EuroRenta 2017	(2009)	
UniNachhaltig Aktien Global	(2009)	
Volksbank Gütersloh NachhaltigkeitsInvest	(2009)	
Kurpfalz-Select	(2010)	
PrivatFonds: Flexibel	(2010)	
PrivatFonds: Flexibel pro	(2010)	
PrivatFonds: Kontrolliert	(2010)	
PrivatFonds: Kontrolliert pro	(2010)	
VR Westmünsterland Aktiv	(2010)	
BBBank Renta Select 2015	(2010)	
FVB-Deutscher Aktienfonds	(2011)***	
FVB-Deutscher Rentenfonds	(2011)***	
Global Select Portfolio III	(2011)	
UniRak Konservativ	(2013)	

## **Management company, committees, auditor**

### **Management company**

Union Investment Privatfonds GmbH  
60070 Frankfurt / Main  
Postfach 16 07 63  
Tel.: +49 (0)69 2567-0

Subscribed and paid-up capital:  
EUR 24.462 million

Liable equity capital:  
EUR 73.903 million

(As at: 31 December 2013)

### **Court of registration**

Frankfurt / Main District Court, HRB 9073

### **Supervisory Board**

Hans Joachim Reinke  
Chairman  
(Chairman of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Jens Wilhelm  
Deputy Chairman  
(Member of the Executive Board of  
Union Asset Management Holding AG,  
Frankfurt / Main)

Prof Stefan Mittnik, Ph.D.  
(independent member of the Supervisory Board  
pursuant to § 18(3) KAGB)  
Ludwig-Maximilians-Universität Munich

### **Managing Directors**

Dr Frank Engels  
Giovanni Gay  
Dr Daniel Guennewig  
Bjoern Jesch  
Klaus Riester  
Michael Schmidt (until 31/12/2014)

### **Information regarding the main roles of the Supervisory Boards and Managing Directors performed outside the Company**

Hans Joachim Reinke is the Chairman of the Board of Directors of Union Investment Luxembourg S.A., the Deputy Chairman of the Supervisory Board of Union Investment Service Bank AG, the Deputy Chairman of the Supervisory Board der Union Investment Institutional GmbH and the Deputy Chairman of the Supervisory Board of Union Investment Real Estate GmbH.

Jens Wilhelm is the Chairman of the Supervisory Board of Union Investment Real Estate GmbH, the Chairman of the Supervisory Board of Union Investment Institutional Property GmbH, a member of the Board of Directors of BEA Union Investment Management Ltd., Hong Kong and the Deputy Chairman of the Supervisory Board of Quoniam Asset Management GmbH.

Professor Stefan Mittnik is an independent member of the Supervisory Board of Union Investment Institutional GmbH.

Giovanni Gay is the Chairman of the Board of Directors of attrax S.A., the Deputy Chairman of the Board of Directors of Union Investment Luxembourg S.A. and Chairman of the Supervisory Board of VR Consultingpartner GmbH.

Dr Daniel Guennewig is a member of the Executive Board of R+V Pensionsfonds AG.

## **Shareholder**

Union Asset Management Holding AG,  
Frankfurt / Main

## **Auditor**

Ernst & Young GmbH  
Audit firm  
Mergenthalerallee 3-5  
65760 Eschborn

As at 29 December 2014,  
unless otherwise specified

Union Investment Privatfonds GmbH  
Wiesenhüttenstraße 10  
60329 Frankfurt / Main  
Phone 0049 69 58998-6060  
Fax 0049 69 58998-9000

visit our website at:  
[www.union-investment.com](http://www.union-investment.com)

