

AAM European Equities

French FCP (mutual fund)

Approval date : 30 May 2014
Publication date : 8 February 2016

*UCITS subject to European Directive
2009/65/EC*

Contents

Section I: Prospectus

Part A – General features

Part B - Intermediaries

Part C - Terms of operation and management

Part D - Sales information

Part E - Investment rules

Part F - Overall risk

Part G -Asset valuation rules

Section II: Fund Rules



Section I: Prospectus

**UCITS subject to European Directive
2009/65/EC**

Part A – General features

- **Name of UCITS** : AAM European Equities
- **Legal form and Member State** : FCP under French law
- **Date of incorporation and projected term** : 16 June 2014 for a term of 99 years
- **Approval date** : 30 May 2014 by the AMF (French securities regulator)

Units	ISIN Code	Distribution of earnings	Currency	Initial unit value	Minimum initial subscription	Fractional units	Eligible subscribers
E1	FR0011911189	Capitalization	EUR	EUR 100	One unit	Ten thousandths of a unit	All subscribers
I	FR0011911197	Capitalization	EUR	EUR 100	EUR 500,000	Ten thousandths of a unit	All subscribers

The managing company is exempted from the minimum initial subscription to the I unit.

- **Contact point to obtain the Fund Rules, the latest annual report and the latest periodic report:**

Unitholders can obtain the latest annual and periodic reports within 8 working days of submitting a written request to:

Anaxis Asset Management
9, rue Scribe, 75009 Paris, France
Tel: +33 (0)9 73 87 13 20
info@anaxiscapital.com

Any additional information can be obtained from Anaxis Asset Management at this same address.

Part B – Intermediaries

- **Portfolio management company** : Anaxis Asset Management S.A.S.
 A portfolio management company accredited by the AMF under number GP10000030
 9, rue Scribe, 75009 Paris

- **Depository bank and custodian** : BNP Paribas Securities Services S.C.A.
 A credit institution accredited by the ACPR (French prudential supervisory and resolution authority)

Postal address
 Grands Moulins de Pantin, 9, rue du Débarcadère, 93500 Pantin

Registered office
 3, rue d'Antin, 75002 Paris

The depository bank and custodian carries out the following duties: administration of securities accounts, processing of settlement/delivery transaction flows, asset custody, management of corporate actions and, in general, any duties required of it under the laws and regulations in force.

- **Statutory Auditor** : PwC Sellam
 Represented by Frédéric Sellam
 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex

- **Promoters** : 1. Anaxis Asset Management S.A.S.
 9, rue Scribe, 75009 Paris
 2. Its Swiss counterpart, Anaxis S.A.

- **Delegate accounting manager** : BNP Paribas Fund Services S.A.S.

Postal address
 Petit Moulin de Pantin, 9, rue du Débarcadère, 93500 Pantin

Registered office
 3, rue d'Antin, 75002 Paris

The delegate accounting manager administrates the Fund (accounting, calculating net asset values) and is responsible for middle office functions.

- **Orders centralized by** : Identity
 Anaxis Asset Management S.A.S.
 9, rue Scribe, 75009 Paris

Identity of institution in charge of receiving subscription and redemption orders
 BNP Paribas Securities Services S.C.A.,
 A credit institution accredited by the ACPR (French prudential supervisory and resolution authority)

Postal address
 Grands Moulins de Pantin, 9, rue du Débarcadère, 93500 Pantin, France

Registered office:
 3, rue d'Antin, 75002 Paris, France

Part C – Terms of operation and management

1. General features

- **Type of rights attached to units** : Each unitholder enjoys co-ownership of the Fund's assets in proportion to the number units held.
- **Management of liabilities** : All units are bearer units. No register is maintained. BNP Paribas Securities Services is responsible for the administration of the issuer's account. The Fund is admitted for trading on Euroclear France.
- **Voting rights** : As the Fund is a co-ownership of marketable securities, there are no voting rights attached to the units. Decisions are taken by the portfolio management company. However, notification of any amendments to the operation of the Fund is given to the unitholders either individually, via the press, or by any other method that complies with AMF Instruction No. 2011-19 of 21 December 2011.
- **Form of units** : All units are bearer units
- **Fraction of units** : Ten-thousandths of one unit
- **Balance sheet date** : Last trading day in December.
- **First financial year** : The balance sheet date of the first financial year is 31 December 2014.
- **Taxation** : As mutual funds are without legal personality, they are not subject to corporate tax. Unitholders are taxed as if they were direct owners of a share of the assets, according to the tax scheme applicable to them. Any capital gains and earnings generated from ownership of Fund units may be subject to tax. The applicable tax scheme depends on each investor's individual situation and tax residence, as well as the Fund's investment jurisdiction. Investors are advised to contact their usual advisor to learn about the conditions applicable to their personal situation.

INFORMATION ON THE FOREIGN ACCOUNT TAX COMPLIANCE ACT

In accordance with the provisions of the Foreign Account Tax Compliance Act (FATCA), which took effect on 1 July 2014, where the UCITS invests directly or indirectly in US assets, the income generated from these investments may be subject to a 30% withholding tax. In order to avoid payment of the 30% withholding tax, France and the US entered into an intergovernmental agreement under which foreign financial institutions undertake to establish a procedure for identifying direct or indirect investors that are US persons and to transmit certain information on these investors to the French tax authority, which in turn provides this information to the US Internal Revenue Service. As a foreign financial institution, the UCITS undertakes to comply with FATCA and to take any measures subject to the above-mentioned intergovernmental agreement.

- **Special taxation** : PEA (French stock saving plan) eligible UCITS

2. Specific terms and conditions

- **ISIN codes** : E1 units : **FR0011911189**
I units : **FR0011911197**
- **Classification** : Stocks from European Union countries.
- **Investment objective** : The Fund's objective is to capture the development of the European economy while seeking to limit the risk of significant portfolio variations. To this end, the Fund invests predominantly in European Union equities via a dynamic allocation determined by the asset management company. Companies are selected for their value creation, sound business model, upside potential and dividend consistency, without reference to a benchmark index. There is some risk that the Fund will not achieve the established objective.
- **Benchmark index** : None. The investment objective is not expressed relative to a benchmark index. Having said that, the Fund's results may be compared ex-post to the performance and volatility of the Dow Jones Stoxx Europe 600 (dividends reinvested). This index lists 600 small, mid and large cap companies spanning 18 European countries: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. The investment strategy aims to generate more regular earnings than those of the main European stock market indices, with less extreme declines in difficult periods and a slower rise in supportive periods.
- **Investment Strategy**
 - a. **Description of strategies used** : The objective must be achieved by building a portfolio comprised predominantly of European Union equities. This portfolio will evolve over time with the implementation of a discretionary management style. The Fund invests up to 100% of its assets in equities listed on European regulated markets and at least 75% of its stocks are eligible for PEAs (French personal equity plans) at all times.

General approach

The management strategy is based first and foremost on an extensive financial analysis of the companies in the investment universe. The aim is to build a robust and diversified allocation from among individual stock picks, without referring to a benchmark index but with a preference for large caps. The Fund is actively managed but does not seek to capture short-term market trends. It offers a conviction-based management approach and seeks to achieve its objective through a combination of medium-term capital gains and regular dividends.

Financial Analysis

The portfolio managers look for value-creating companies offering regular growth, whose shares hold upside potential. They lean toward a tight selection of stocks in which the portfolio management team believes strongly.

However, their analysis is based in part on assumptions and projections, which are uncertain by nature. This is why they prioritise:

- sectors that are the least sensitive to economic cycles (e.g. telecoms, healthcare, infrastructures);
- companies within each sector that, in their view, offer the best visibility and are least exposed to economic fluctuations.

The analysis aims to select companies whose shares appear less volatile than the market in general and are at attractive levels (again, in comparison to the market and in light of economic conditions observed).

Our portfolio team's convictions must be backed up by an analysis of each company's balance sheet, income statement, business model, strategy, Management quality, competitive position, barriers to entry, margins and financial ratios.

In addition to this analysis, an estimate must be determined of the company's theoretical value according to different methods, which is then compared to its market value, and its valuation multiples must be calculated.

Finally, the company's dividend policy is considered to be a significant component, but is not a decisive factor in itself. The fact that our portfolio managers take into account the regular payment of high dividends is a positive factor; however, they do keep in mind that past dividends do not necessarily mean future dividends, which are not guaranteed.

Quantitative filters

Quantitative tools may initially be used to filter the investment universe (consisting mainly of members of the Dow Jones Stoxx Europe 600 index). These tools do not call into question the primarily fundamental and discretionary nature of the management style adopted. They are used to guide research and analysis efforts toward attractive stocks in terms of quality, growth, valuation, market risk and return.

Geographic criteria

The Fund gives preference to equities listed on European markets. At all times, it invests at least 90% of its assets in European Union equities and at least 75% of these must be listed equities. Up to 10% of its holdings may be issued by companies in non-EU member countries, such as Swiss companies, international companies listed on US markets or companies established in emerging countries, as opportunities arise.

Geographic exposure (main quotation markets)	Minimum	Maximum
European Union	90%	100%
Other country	0%	10%

Sector criteria

The investment strategy seeks to obtain solid sectorial diversification, with a maximum of 25% per sector. All economic sectors may be considered. However, the Fund prefers non-cyclical, stable or regularly expanding sectors.

Moreover, the Fund does not invest in securities issued by banks or other financial institutions. It should be noted that this exclusion does not apply to financial holding companies and financing structures sometimes used by industrial or service groups.

Capitalization criteria

In principle, the Fund can invest in companies of all cap sizes as long as they are listed on regulated markets. However, it gives priority to market caps of more than EUR 1 billion. Companies below this threshold do not exceed 25% of the allocation.

Management of foreign exchange risk

The Fund's reference currency is the euro. Foreign exchange risk generated by any investments in foreign currencies is generally hedged in favour of the euro. Foreign exchange risk is hedged via forward forex transactions or OTC derivatives. Such hedged may prove partial or imperfect. A tolerance exposure threshold of 25% of has been defined.

Voting policy

The voting rights attached to portfolio securities are subject to a specific internal voting policy. This policy is available on the website of the portfolio management company or upon simple request at the company.

b. Categories of assets used : 1. Non derivative assets
Shares

The Fund is eligible for PEAs (French personal equity plans) and at all times at least 75% of its assets are equities listed on European Union regulated markets. It may invest in any EU member country exchanges, including in: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. The Fund may also invest up to 10% of its assets in other European countries such as Norway or Switzerland, and in other continents (including in emerging countries).

The geographic or sector breakdown is not determined in advance and depends on the companies selected (subject to the applicable investment constraints) by the portfolio management team in charge of the Fund. However, the Fund does not invest in the financial sector.

Maximum exposure to the equity markets is 100% of the Fund's assets. Market caps of less than EUR 1 billion do not exceed 25% of the allocation.

Debt securities and money market instruments

The Fund may invest into interest rate instruments up to 25% in order to reduce or to diversify its exposure to the stock markets. These instruments may come from public or from private issuer, with a floating or fixed rate.

More particularly, the Fund may invest up to 25% in high yield (speculative-grade) corporate bonds and non-rated securities. The analysis and selection of debt instruments are made independently from rating agencies.

Stocks may be denominated in EUR or in other currencies, insofar as the asset management company considers it possible to set up a foreign exchange hedge under reasonable conditions.

Clarifications on the legal nature of rate instruments

- Negotiable debt securities of any kind;
- Fixed-, variable- or floating-rate bonds;
- Negotiable medium-term notes (BMTNs);
- Euro medium-term notes (EMTN), excluding structured EMTNs or including forward financial instruments;
- Convertible bonds;
- Inflation-indexed bonds;
- Treasury notes;
- Commercial papers;
- Certificates of deposit.

UCITS

The Fund may invest up to 10% of its assets in other UCITS subject to European Directive 2009/65/EC, without any limitation in terms of regulatory classification. The purpose of this use may be the diversification of investments or strategies, or cash management.

2. Derivatives

The Fund may invest in the regulated, organized or OTC futures markets for the purpose of carrying out forex hedging transactions or adjusting the portfolio's stock market sensitivity (upward or downward). Instruments used may include, in particular, futures, forward foreign exchange contracts and simple interest rate swaps within the limit of 100% of its net assets, without building any synthetic exposure that would lead to expose the Fund to the stock markets more than 1x its net assets.

Clarifications on derivatives:

Type of markets in which the Fund may invest:

- regulated,
- organized,

- OTC.

Risks to which the portfolio management team plans to expose the Fund:

- Equity,
- Foreign exchange.

Types of transactions, all of which are limited to the achievement of the investment objective:

- hedging,
- exposure.

Types of instruments used:

- futures,
- swaps,
- forward foreign exchange contracts.

Strategy for using derivatives to achieve the investment objective:

- hedging of foreign exchange risk,
- hedging of equity risk,
- creation of a synthetic equity exposure.

3. Securities with embedded derivatives

Convertible bonds

The Fund may invest up to 25% of its assets in convertible bonds (indexed bonds, bonds redeemable into shares, etc.), warrants or related securities.

4. Deposits

For the purpose of managing its cash holdings, the Fund may carry out deposits with one or more credit institutions, within the limit of 25% of its assets.

5. Cash loans

The Fund does not borrow cash. Nevertheless, it may have a temporary debit balance, within the limit of 10%, due to transactions related to the Fund's payment flows: investments, divestments and liabilities transactions.

6. Temporary securities lending and borrowing

None.

- **Contracts constituting financial guarantees** : None.
- **Risk profile** : **Your money will be predominantly invested in financial instruments selected by the portfolio management company. These instruments will be subject to market trends and developments.**
- a. **Main risks** : Capital risk: The Fund does not offer any guarantee or protection. There is a risk that subscribers will not recover all of the capital initially invested.

Risk that the Fund's performance differs from its management objective: The management objective is not subject to any explicit or implicit guarantee. Its achievement depends, among other factors, on market trends, management choices, fees, events impacting the companies the securities of which are held by the Fund, and, for each investor, of its subscription and redemption dates. There is a risk that the Fund will not allow the investor to reach the proclaimed target.

Risk linked to discretionary portfolio management: As the Fund is managed on a discretionary basis; there is a risk that the portfolio management team will not select the top-performing securities. Consequently, the Fund may underperform

its investment objective and the investment choices made may lead to a decrease in the Fund's NAV (net asset value).

Equity risk: The Fund's exposure to the stock market ranges between 75% and 100%. The Fund's NAV will decrease if this market declines.

Risk associated with small and middle capitalisations: The Fund may hold small- and mid-cap stocks; specifically up to 25% of its assets may be invested in companies with a market cap of less than EUR 1 billion. In general, these stocks offer lower liquidity. They may prove more difficult to sell or only find a buyer at lower-than-expected prices, which can cause the Fund's NAV to decline.

Interest rate risk: Up to 25% of the Fund's net assets may be exposed to the bond market. When interest rates rise, bond prices fall. These fluctuations may lead to a decrease in the Fund's NAV. The portfolio's sensitivity may vary within a range of 0 to 1.

Credit risk: Up to 25% of the Fund's net assets may be exposed to the bond market. The Fund may hold corporate bond of low credit quality. There is a risk that the issuer's rating will be downgraded, which may lead to a decrease in the price of the security and thus the Fund's NAV.

Risk associated with holding convertible bonds: Up to 25% of the Fund's net assets may be exposed to the convertible bond market. The value of convertible bonds depends on several factors such as interest rate levels, changes in prices of underlying securities and changes in prices of embedded derivatives. These various factors can lead to a decrease in the Fund's NAV.

Risk associated with commitments in financial instruments: The use of financial contracts may cause a more significant and more rapid decline in the Fund's NAV than the decline on the markets in which it is invested.

Foreign exchange risks: Up to 50% of the Fund's assets may be invested in securities denominated in currencies other than the Fund's reference currency (EUR). The foreign exchange risk associated with these investments will be hedged with the aim of keeping this exposure under 25% (all currencies combined). This exposure may lead to a decrease in the Fund's NAV.

b. Ancillary risks

: Risk linked to investments in UCITS: There are liquidity risks and risks of losses associated with potential investments in UCITS, within the limit of 10% of the Fund's net assets.

Risks associated with investments in emerging markets: The NAV may undergo greater variations due to potential investments, within the limit of 10% of the Fund's assets, in shares listed on emerging markets. Such markets may experience sharp price variations; in addition, their operating and supervisory conditions may differ from the standards prevailing on the major international markets.

Counterparty risk: This risk arises from the use of financial contracts negotiated over the counter with market counterparties. These transactions expose the Fund to the risk of default by one or more counterparties and may lead to a decrease in the Fund's NAV.

Risk linked to inflation: The Fund may be exposed to inflation risk, i.e. a widespread increase in prices.

■ **Guarantee or protection**

: None.

■ **Eligible subscribers and typical investor profile**

: E1 units are available to all subscribers.

I units, for which the minimum investment is EUR 500,000, are specifically designed for legal entities and portfolio managers, and more generally for investors for whom such an investment would represent a reasonable portion of their financial assets.

E1 and I units are PEA (French stock saving plan) eligible and can also be used within unit-linked life insurance policies.

Eligible subscribers include in particular those seeking to invest in the stock market and aware of the risks linked to the behaviour of this market. The recommended investment period is 5 years.

The amount that is reasonable to invest in this Fund depends on each investor's personal situation. To determine their personal situation, investors should consider their personal assets, regulations, current needs over the recommended investment period, as well as their risk appetite or risk aversion. Investors are strongly advised to sufficiently diversify their investments so as to avoid exposing them exclusively to the risks incurred by this Fund.

■ **Conditions for determining and distributing income**

: Net income for the financial year is determined in accordance with regulatory provisions and with the Fund's accounting principles.

Net income is distributed between the unit categories in proportion to their share of total net assets.

Amounts available for distribution are equal to net income for the financial year plus retained earnings, and plus or minus the balance of the income accrual account related to the financial year ended.

For E1 and I units, gains are capitalised.

■ **Frequency of distribution**

: Non applicable.

■ **Unit features**

:

Units	ISIN Code	Distribution of earnings	Currency	Frequency	Initial unit value	Minimum initial subscription	Fractional units
E1	FR0011911189	Capitalization	EUR	Daily	EUR 100	One unit	Ten-thousandth of one unit
I	FR0011911197	Capitalization	EUR	Daily	EUR 100	EUR 500,000	Ten-thousandth of one unit

The management company is exempted from the minimum initial subscription into the I unit.

■ **Terms of subscription and redemption**

: Central processing of orders

Subscription and redemption orders are received and centrally processed by 12.00 p.m. by BNP Paribas Securities Services and are executed on the basis of the next day's NAV, i.e. at an unknown price.

Institution in charge of receiving orders

BNP Paribas Securities Services, Grands Moulins de Pantin, 9, rue du Débarcadère, 93500 Pantin, France.

Fractions of units

Ten-thousandths of one unit.

Terms of settlement-delivery

Subscriptions and redemptions are settled on value date D+3 working days, with D being the applicable NAV date.

Conditions for switching from one unit category to another, round trip

For subscriptions carried out by unitholders having submitted a redemption request recorded at the NAV on the same day and involving the same number of

units (in another unit category or in the same unit category as the subscription), no entry or redemption fees will be charged provided that the minimum amounts per transaction are observed.

Switching from one unit category to another is considered from a tax standpoint to be a redemption followed by a new subscription. The same is true for a round trip within the same unit category.

Date and frequency of NAV calculation

Daily. NAVs are calculated every day, with the exception of legal holidays in France and days on which the French markets are closed (according to the official Euronext NV calendar).

Place and conditions of publication or transmission of NAVs

The NAVs of the Fund's different unit categories can be obtained from Anaxis Asset Management, 9, rue Scribe, 75009 Paris, France, and online at www.anaxiscapital.com.

■ **Fees and commissions** : Subscription and redemption fees

Subscription and redemption fees increase the subscription price paid by investors and decrease the redemption price. Fees paid to the Fund are used to offset the Fund's expenses in investing or divesting the assets under management. Fees not paid to the Fund go to the portfolio management company, the promoter, etc.

Fees charged to investors upon subscription and redemption	Base	Rate
Subscription fee not paid to the Fund	NAV x number of units	4% maximum
Subscription fee paid to the Fund	NAV x number of units	0%
Redemption fee not paid to the Fund	NAV x number of units	0%
Redemption fee paid to the Fund	NAV x number of units	0%

Clarifications on the subscription fee

The subscription fee is 4% maximum. It will be used to pay for the Fund's distribution and may be paid back to third-party distributors depending on the agreements signed.

Operating and management fees

Operating and management fees cover all expenses invoiced directly to the Fund, with the exception of transaction fees. Transaction fees include intermediation fees (brokerage, stock market tax, etc.) and the account activity fee, where applicable, that may be charged by the custodian and the portfolio management company.

The following may be charged in addition to operating and management fees:

- Incentive fees. Incentive fees are awarded to the portfolio management company when the Fund exceeds its targets. They are charged to the Fund;
- Account activity fees charged to the Fund;
- A share of the income earned from securities lending and borrowing transactions.

Fees charged to the Fund	Base	Rate (incl. tax)
Management fees	Net assets	E1 unit: 2.00% maximum I unit: 1.25% maximum
Management fees external to the portfolio management company (statutory auditor, custodian, distribution, attorneys)	Net assets	0.10% maximum, with any surplus covered by the portfolio management company
Maximum indirect fees (management fees and commissions)	Net assets	0.20% maximum
Account activity fee (paid to the custodian)	Charged on each transaction	Scale: Transactions: max. €60 Securities transactions: none
Account activity fee (paid to the management company)	Charged on each transaction	Scale : Transactions: max. 0.35% Securities transactions: max. 0.35%
Incentive fee	Net assets	10% incl. tax of the out-performance beyond an annualised net performance of 7%.

The annual period taken into account for the calculation of the incentive fee is the financial year, except for the first incentive fee, for which the calculation period runs from the Fund's inception date (16 June 2014) to 31 December 2015.

With each NAV calculation, the fund's excess return is defined as the positive difference between the fund's net assets, before factoring in any provision for incentive fees and after factoring in fixed management fees, and the net assets of a notional fund with an annualised net performance of 7% and recording the same subscriptions and redemptions as the actual fund. With each NAV calculation, a provision in the amount of 10% (with tax) of the excess return or, where applicable, a provision reversal if the fund underperforms, is recognised. In the event of redemptions, the share of the incentive fee associated with the redeemed units is permanently paid to the fund. Aside from these cases, the annual period taken into consideration when calculating incentive fees is the financial year. However, the initial fees were calculated over a period ranging from the Fund's inception date (16 June 2014) to 31 December 2015.

The Fund does not carry out securities lending or borrowing transactions, nor any equivalent or similar transactions under foreign law.

Intermediary selection procedure

The team chooses intermediaries from a mandatory list of intermediaries approved by the portfolio management company in line with its internal procedures. This list is established on the basis of objective criteria, including in particular quality of service provided and pricing conditions.

Part D – Sales information

BNP Paribas Securities Services is responsible for the annual distribution of earnings, where applicable. Payment of amounts available for distribution will be made within a maximum period of five months following the end of the financial year.

Subscription orders are received and centrally processed by 12.00 p.m. by BNP Paribas Securities Services and are executed on the basis of the following day's NAV, i.e. at an unknown price.

Unitholders can obtain the latest annual and periodic reports within one week of submitting a written request to: Anaxis Asset Management; 9, rue Scribe, 75009 Paris, France; Tel: +33 (0)9 73 87 13 20; Fax: +33 (0)1 42 65 80 46

The Fund's investment strategy does not include social, environmental or governance (ESG) criteria. Information on this subject is provided in the Fund's annual report and online at www.anaxiscapital.com.

Any additional information can be obtained from Anaxis Asset Management at this same address.

Part E – Investment rules

The Fund is subject to investment rules applicable to coordinated UCITS. These investment rules are referred to in the French Monetary and Financial Code. Amendments to the French Monetary and Financial Code will be applied in accordance with applicable laws and regulations.

Part F – Overall risk

The method used to calculate the overall risk ratio (exposure via forward financial instruments) is the commitment calculation method.

Part G – Asset valuation rules

The annual financial statements are presented in the format provided for by CRC (French Accounting Regulation Committee) Regulation No. 2003-02 of 2 October 2003 on the accounting principles applicable to UCITS, amended by CRC Regulation No. 2005-07 of 3 November 2005 ratified by the Ministerial Decree of 26 December 2005.

1. Asset valuation rules

The Fund complies with the accounting rules set forth by the regulations in force, including in particular the accounting principles applicable to UCITS. The portfolio's value is determined on each NAV calculation date and on the balance sheet date, in accordance with the rules given below. The terms of application are explained in the notes to the annual financial statements. The valuation is based on closing prices.

Transferable securities traded on a regulated market are valued at the closing price on the reference market. Where there is a bid-ask price range, particularly in the case of corporate bonds comprising a significant portion of the Fund's allocation, the price used will be the average of these two prices (valuation at the mid-price).

Negotiable debt securities and similar securities that are not subject to significant transactions are valued according to an actuarial method using the interest rate of equivalent or similar securities and adjusted, where applicable, for a gap representative of the features of the security being valued.

However, in the absence of specific sensitivity, negotiable debt securities with a residual lifespan of less than three months are valued using the straight line method: the premium/discount is amortized over the remaining number of days to maturity. If they are acquired less than three months prior to maturity, the interest and premium/discount are calculated using the straight line method.

UCITS and other investment funds are valued either at the last known NAV or at the last known quoted price on the valuation date.

For deposits and borrowings, the amount of the commitment earns interest in accordance with the contractual terms and conditions.

Forward financial instruments traded on a regulated market are valued on the basis of settlement prices on the valuation date for futures and on the basis of closing prices on the valuation date for options.

Forward financial instruments traded over the counter are marked to market according to the conditions set forth by the portfolio management company and presented in the notes to the annual financial statements.

Financial instruments whose prices are not observed on the valuation date or whose prices have been corrected are valued at their probable trading value under the responsibility of the portfolio management company. These valuations and their justification are transmitted to the statutory auditor when it conducts its controls.

2. Accounting recognition

The Fund has opted for the EUR as its accounting currency.

Transaction fees are recognized excluding expenses.

Fixed income is recognized using the redeemed coupon method.

Interest accrued on the weekend is recognized on the basis of the previous NAV.

Section II: Fund Rules

AAM EUROPEAN EQUITIES

SECTION I – ASSETS AND UNITS

Article 1 - Co-ownership units

Co-ownership rights are expressed in units, with each unit corresponding to the same fraction of the Fund's assets. Each unitholder enjoys co-ownership of the Fund's assets in proportion to the number of units held.

The term of the Fund is 99 years as from its incorporation, except in the event of early winding-up or extension, as provided for in these Fund Rules.

Unit categories

The features of the different unit categories and their terms of eligibility are set forth in the Fund Prospectus.

The different unit categories may:

- be subject to different distribution of earnings schemes (distribution or capitalization);
- be denominated in different currencies;
- incur different management fees;
- incur different subscription and redemption fees;
- have a different nominal value;
- be systematically subject to partial or full risk hedging, as defined in the prospectus. Hedges are carried out via financial instruments aimed at minimizing the impact of hedging transactions on the Fund's other unit categories;
- be reserved for one or more promotion networks.

Combination or division of units

The Fund may combine or divide units.

Fractional units

Units may be divided into ten-thousandths of one unit (referred to as fractional units) at the discretion of the portfolio management company's Management Committee.

The provisions of the Fund Rules governing the issuance and redemption of units are also applicable to fractional units, whose value will always be proportionate to the value of the unit they represent. All other provisions of the Fund Rules pertaining to units apply to fractional units without it being necessary to specify this, unless otherwise indicated.

Finally, the portfolio management company's Management Committee may, at its own discretion, divide units by creating new units that are allocated to unitholders in exchange for their old units.

Article 2 - Minimum amount of assets

Units may not be redeemed if the Fund's assets fall below EUR 300,000; where the assets remain below EUR 300,000 for thirty days, the portfolio management company shall take the necessary steps to liquidate the Fund in question, or shall carry out one of the operations referred to in Article 411-16 of the AMF General Regulations (Fund transformation).

Article 3 - Issuance and redemption of units

Units may be issued at any time at the unitholders' request, on the basis of their net asset value plus subscription fees, where applicable.

Redemptions and subscriptions are carried out under the terms and conditions defined in the prospectus.

Mutual fund units may be admitted for trading according to the regulations in force.

Subscriptions must be fully paid-up on the NAV calculation date. They may be settled in cash and/or financial instruments. The portfolio management company reserves the right to reject any proposed securities and, to this end, has a period of seven days from their date of deposit to render its decision. If approved, the contributed securities are valued according to the rules established in Article 4 and the subscription is carried out on the basis of the first NAV following the approval of the securities in question.

Units are redeemed exclusively in cash, except if the Fund is liquidated and where the unitholders have agreed to have their units redeemed in securities. They are settled by the issuer account administrator within a maximum of five days following the valuation of the unit.

However, if due to exceptional circumstances the redemption calls for the prior realization of some of the assets comprising the Fund, this period may be extended but may not exceed 30 days.

With the exception of inheritance or inter-vivos gifts, the sale or transfer of units between unitholders, or between unitholders and third parties, is deemed to be a redemption followed by a subscription; for third parties, the amount of the sale or transfer must, where applicable, be supplemented by the beneficiary to reach the amount of the minimum initial subscription required by the prospectus.

In accordance with Article L. 214-8-7 of the French Monetary and Financial Code, the redemption of units by the Fund, as well as the issuance of new units, may be temporarily suspended by the portfolio management company when called for by exceptional circumstances and in the unitholders' best interest.

Where the Fund's net assets fall below the amount established by the regulations, no units may be redeemed.

Minimum terms of subscription may be set in accordance with the conditions provided for in the prospectus.

Article 4 - Calculation of net asset value

The net asset value of units is calculated according to the valuation rules presented in the prospectus.

Contributions in kind may only consist of securities or contracts approved to comprise the Fund's assets; they are valued in accordance with the valuation rules applicable to the calculation of the net asset value.

SECTION 2 – FUND OPERATION

Article 5a - Portfolio management company

The Fund is managed by the portfolio management company in accordance with the strategy defined for the Fund.

The portfolio management company acts exclusively in the unitholders' interests at all times and is exclusively entitled to exercise the voting rights attached to the securities in the Fund.

Article 5b - Rules of operation

The instruments and deposits eligible for inclusion in the Fund's assets, as well as the investment rules, are described in the prospectus.

Article 6 - Custodian

The custodian carries out its duties in accordance with the laws and regulations in force and the duties contractually defined by the portfolio management company. It must also ensure the legitimacy of the decisions taken by the portfolio management company. Where applicable, it must take any provisional measures deemed useful. The custodian notifies the AMF of any dispute with the portfolio management company.

Article 7 - Statutory auditor

A statutory auditor is designated for six financial years, with the approval of the AMF, by the portfolio management company's governance body.

The statutory auditor certifies the accuracy and fairness of the financial statements.

Its term may be renewed.

The statutory auditor is required to notify the AMF in a timely manner of any event or decision concerning the Fund that comes to its attention in the course of performing its duties which might:

1. constitute a breach of the legal or regulatory provisions applicable to the Fund and liable to have significant impacts on its financial situation, income or assets;
2. jeopardize the conditions or continuity of its operation;
3. lead to the formation of reservations or the refusal to certify the financial statements.

Asset valuations and the determination of exchange rates used in transformation, merger or spin-off transactions are carried out under the statutory auditor's authority.

It assesses any contribution in kind under its responsibility.

It verifies the composition of the Fund's assets and other items prior to publication.

The statutory auditor's fees are agreed upon between the statutory auditor and the portfolio management company's Board of Directors or Executive Board based on an audit plan defining the due diligence reviews deemed necessary.

It attests to situations used as a basis for the distribution of interim dividends.

Its fees are included in management fees.

Article 8 - Financial statements and management report

At the end of each financial year, the portfolio management company prepares the financial statements and a fund management report for the financial year ended.

The portfolio management company prepares the inventory of the Fund's assets at least once per half-year under the custodian's supervision.

The portfolio management company provides these documents to the unitholders within four months of the end of the financial year and notifies them of the amount of income to which they are entitled: these documents are either transmitted by post at the unitholders' express request or placed at their disposal at the offices of the portfolio management company.

SECTION 3 – CONDITIONS FOR THE ALLOCATION OF AMOUNTS AVAILABLE FOR DISTRIBUTION

Article 9 - Conditions for the allocation of amounts available for distribution

Net income for the financial year is equal to the total interest payments, arrears, dividends, premiums and prizes, directors' fees and any income related to securities comprising the Fund's portfolio, plus income from temporarily available amounts and minus management fees and borrowing costs.

Amounts available for distribution by a Fund are comprised of:

- 1) Net income plus retaining earnings and plus or minus the balance of the income accrual account;
- 2) Capital gains generated, net of fees, minus capital losses generated, net of fees, during the financial year, plus similar net capital gains generated during previous financial years that were not subject to distribution or capitalization, plus or minus the balance of the capital gains accrual account.

The amounts mentioned in 1) and 2) above may be distributed in part or in whole, independently of one another. Payments of amounts available for distribution are made within a maximum period of five months following the end of the financial year.

The portfolio management company decides on the distribution of earnings.

SECTION 4 – MERGERS - SPIN-OFFS - WINDING-UP – LIQUIDATION

Article 10 - Mergers - Spin-offs

The portfolio management company may either contribute some or all of the Fund's assets to another Fund, or split the Fund into two or more other mutual funds.

Such mergers or spin-offs may only be carried out after the unitholders have been duly notified.

They give rise to the issuance of a new certificate attesting to the number of units held by each unitholder.

Article 11 - Winding-up - Extension

If the Fund's assets remain below the amount established in Article 2 herein for thirty days, the portfolio management company notifies the AMF and proceeds to wind up the Fund, unless it is merged with another fund.

The portfolio management company may wind up the Fund early; in such case it notifies the unitholders of its decision and, as from this date, no more subscription or redemption requests are accepted.

The portfolio management company also winds up the Fund in the event all of its units are redeemed, or if the custodian resigns from its duties, where no other custodian has been designated, or upon the expiry of the Fund, unless its term is extended.

The portfolio management company notifies the AMF by post of the date and winding-up procedure selected. It then submits the statutory auditor's report to the AMF.

The term of the Fund may be extended by the portfolio management company, in agreement with the custodian. Its decision must be taken at least 3 months prior to the projected expiry of the Fund, and both the AMF and the unitholders must be duly notified.

Article 12 - Liquidation

If the Fund is wound up, the portfolio management company or the custodian assumes the role of liquidator; failing that, the liquidator is designated by the court at the request of any interested party. To this end, the liquidator is invested with the broadest powers to realize the Fund's assets, pay any creditors and divide up the available balance between the unitholders, in cash or securities.

The statutory auditor and the custodian continue to exercise their duties until the liquidation is complete.

SECTION 5 – DISPUTES

Article 13 - Jurisdiction - Election of domicile

Any disputes related to the Fund arising during its operation or liquidation, either between the unitholders, or between the unitholders and the portfolio management company or custodian, are subject to the jurisdiction of the competent courts.