

Last updated: January 2016

## PROSPECTUS

(including appendices and Fund Management Regulations)

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### AC

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Sub-funds:

AC – Risk Parity 7 Fund

AC – Risk Parity 12 Fund

AC – Risk Parity 17 Fund

Management Company

**Alceda Fund Management S.A.**

Custodian:

**The Bank of New York Mellon (Luxembourg) S.A.**

#### **Important Note:**

This document is an English translation of the latest German prospectus approved by the Luxembourg supervisory authority, the *Commission de Surveillance du Secteur Financier* (CSSF).

## Table of Contents

Management, Sales and Consulting.....	3
Notes for Investors Relating to the United States of America.....	6
Prospectus.....	7
Management Company .....	7
The Custodian.....	8
Registrar and Transfer Agent .....	8
Central Administration Agent.....	8
Fund Manager .....	9
Legal Status of Investors .....	9
General Notes on Trading Sub-fund Units.....	10
Investment Policy .....	11
Notes on Derivatives.....	11
Calculating Unit Value .....	15
Issuance of Units.....	15
Redemption and Exchange of Units .....	16
Notes on Risks .....	18
Taxation on the Fund.....	22
Taxation of unitholders' income from Units in the investment fund.....	22
Publication of Unit Value and Issue and Redemption Prices .....	23
Information for Investors .....	23
AC – Risk Parity 7 Fund.....	24
AC – Risk Parity 12 Fund .....	36
AC – Risk Parity 17 Fund .....	45
Appendix 4 .....	54
Fund Management Regulations .....	56
Article 1 The Fund .....	56
Article 2 The Management Company .....	57
Article 3 The Custodian .....	58
Article 4 General Provisions of the Investment Policy.....	59
Article 5 Units.....	69
Article 6 Calculation of Unit Values .....	69
Article 7 Suspending the Calculation of Unit Values.....	71
Article 8 Issuing Units .....	72
Article 9 Limitation and Suspension of Issuing Units.....	72
Article 10 Redemption and Conversion of Fund Units.....	73
Article 11 Costs.....	74
Article 12 Application of Revenues.....	78
Article 13 Financial year - Audit.....	78
Article 14 Announcements.....	78
Article 15 Merger of the Fund and Sub-funds.....	79
Article 16 Liquidation of the Fund and/or Sub-fund.....	80
Article 17 Expiry of Claims and Presentation Period .....	81
Article 18 Applicable Law, Jurisdiction and Reference Language.....	81
Article 19 Amendments to the Fund Management Regulations.....	81
Article 20 Effective Date.....	82
Information for Investors in the United Kingdom .....	83
Information for Investors in Slovenia .....	90

## Management, Sales and Consulting

### Management Company

Alceda Fund Management S.A.  
5, Heienhaff  
L-1736 Senningerberg, Luxembourg

Corporate capital on 31 December 2013: EUR 325,000

### Board of Directors of the Management Company

#### Chairman of the Board:

Michael Sanders  
Managing Director of  
Alceda Fund Management S.A.

#### Members of the Board of Directors:

Jost Rodewald  
Managing Director of  
AQ Management GmbH  
Hamburg, Germany

Roman Rosslénbroich  
Managing Director of  
AQ Management  
GmbH Hamburg,  
Germany

### Directors of the Management Company

Michael Sanders  
Silvia Wagner

**Custodian**

The Bank of New York Mellon (Luxembourg) S.A.  
2-4, rue Eugène Ruppert  
L-2453 Luxembourg

**Registrar and Transfer Agent**

The Bank of New York Mellon (Luxembourg) S.A.  
2-4, rue Eugène Ruppert  
L-2453 Luxembourg

**Central Administration Agent**

The Bank of New York Mellon (Luxembourg) S.A.  
2-4, rue Eugène Ruppert  
L-2453 Luxembourg

**Paying Agent**

Grand Duchy of Luxembourg

The Bank of New York Mellon (Luxembourg) S.A.  
2-4, rue Eugène Ruppert  
L-2453 Luxembourg

**Auditor of the Fund and Management Company**

PricewaterhouseCoopers (PwC), Société Coopérative  
2, rue Gerhard Mercator  
L-1014 Luxembourg

**Investment Committee for all Sub-funds:**

Dr. Dieter Rentsch  
Aquila Capital Concepts GmbH

Harold Heuschmidt  
Aquila Capital Concepts GmbH

The investment fund described in this prospectus (including its appendices and Fund Management Regulations) (“prospectus”) is a Luxembourg investment fund (*fonds commun de placement*) set up pursuant to Part I of the Luxembourg law of 17 December 2010 regulating Undertakings for Collective Investment (“Law of 17 December 2010”) in the form of an umbrella fund with one or more sub-funds for an unlimited period of time.

This prospectus is only valid in combination with the last published annual report that must have been issued within the last sixteen months. The investor must also be provided with the semi-annual report if the reporting date is more than eight months old. The current prospectus forms the legal basis for the acquisition of units. The acquisition of units implies acceptance of the prospectus by the investor and all approved and published amendments to this document.

The “Key Investor Information Document” will be made available to investors in good time at no cost prior to the acquisition of fund units.

The dissemination of information and issue of statements that deviate from this prospectus and the “Key Investor Information Document” is prohibited. The Management Company is not liable if and insofar as information is disseminated or statements are issued that deviate from the current prospectus and the “Key Investor Information Document”.

The prospectus, the “Key Investor Information Document” and the annual and semi-annual fund reports, can be obtained free of charge in a durable medium from the head office of the Management Company’s registered office, the Custodian, the paying agents and distributors. The prospectus and “Key Investor Information Documents” can also be found on the website, [www.alceda.lu](http://www.alceda.lu). Upon request from the investor, the documents in question will also be provided in paper form. Further information is available from the Management Company at any time during normal office hours.

## Notes for Investors Relating to the United States of America

The Management Company can restrict or prohibit the possession of units by any person registered as a taxpayer in the United States of America ("USA"). Natural persons who are taxpayers in the USA include, for example, persons who:

- a) were born in the USA or in one of its territories or sovereign territories;
- b) are naturalised citizens (or green card holders);
- c) were born abroad to parents, or to one parent, who is/are (a) US citizen(s);
- d) without being a citizen of the USA, are predominantly resident in the USA; or
- e) are married to a citizen of the USA.

Legal entities that are taxpayers in the USA include, for example:

- a) companies or organisations founded under the laws of one of the 50 states or the District of Columbia;
- b) a company or partnership founded under an Act of Congress; or
- c) a pension fund, founded as a US trust.

## Prospectus

The investment fund (“the fund”) described in this prospectus was issued on the initiative of **Aquila Capital Concepts GmbH** and is managed by **Alceda Fund Management S.A.**

Appendices related to the respective sub-funds and the Fund Management Regulations are attached to this prospectus.

The Fund Management Regulations came into force on 19 October 2007 and have been placed with the Luxembourg Trade and Companies Register. A reference to this was published in the “*Mémorial, Recueil des Sociétés et Associations*”, the official gazette of the Grand Duchy of Luxembourg (“*Mémorial*”), on 15 November 2007.

A final amendment to the Fund Management Regulations came into force on 8 July 2015, and notification of its entry in the Luxembourg Trade and Companies Register was published on 31 July 2015 in the *Mémorial*.

The prospectus (including appendices) and the Fund Management Regulations form a meaningful unit and complement each other.

### Management Company

The Fund Management Company is Alceda Fund Management S.A. (the “Management Company”), a public limited company pursuant to the laws of the Grand Duchy of Luxembourg. Its registered office is located at 5, Heienhaff, L-1736 Senningerberg, Luxembourg. The Company was founded on 9 January 2007 for an indefinite period of time. Its articles of association were published in the *Mémorial* on 27 February 2007. The latest amendment to the Company’s articles of association came into effect on 25 September 2012 and was published in the *Mémorial* on 3 October 2012. The Management Company is registered in the Luxembourg Trade and Companies Register under the number R.C.S. Luxembourg B-123356. The Management Company’s financial year ends on 31 December of each year. The Management Company’s statutory corporate capital amounted to EUR 325,000 on 31 December 2013.

The Management Company may manage Undertakings for Collective Investments in Transferable Securities (UCITS) authorised pursuant to Directive 2009/65/EC as amended (hereinafter: Directive 2009/65/EC). In addition, it may manage other Undertakings for Collective Investments (UCI) that do not fall under this directive, in respect of which the Management Company is subject to supervision, but the units of which cannot be sold in other Member States of the European Union in accordance with Directive 2009/65/EC, as well as other Luxembourg-based and foreign investment vehicles (including SICARs).

The Management Company may carry out all activities that are necessary or useful to promote the sale of such units and to manage these UCITS/UCIs and SICARs. It may enter into any transactions and take any measures that promote its interests or otherwise serve its purpose, provided that they correspond to Chapter 15 of the Law of 2010.

The Management Company is responsible for the daily administration and management of the fund. It is entitled to perform all management and administrative operations and exercise all rights directly or indirectly related to the assets of the fund or sub-fund.

In pursuing its responsibilities, the Management Company acts independently of the Custodian. The Management Company fulfils its duties with the care of a paid authorised agent.

In addition to the fund described in this prospectus, the Management Company also currently manages additional investment funds. A list of the names of these investment funds may be obtained upon request from the Management Company.

In managing the assets of the respective sub-fund, the Management Company is entitled to appoint a Fund manager and/or investment advisor while itself retaining responsibility and control, with the related costs being either for its own account or charged to the assets of the respective sub-fund. In fulfilling its duties, the fund manager or investment advisor may, at its own expense and under its own responsibility, make use of third parties – whether natural or legal persons – and appoint investment sub-consultants.

The Management Company is also entitled to subcontract services to third parties while retaining its own responsibility for, and control of, such services. Any such transfer of duties must not impair the Management Company's ability to effectively supervise the fund in any way. In particular, any such transfer of duties must not impede the Management Company's ability to act in the interest of investors.

## **The Custodian**

The Custodian for the fund is **The Bank of New York Mellon (Luxembourg) S.A.**, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg.

The Custodian is a public limited company pursuant to the laws of the Grand Duchy of Luxembourg that operates a banking business. The function of the Custodian is governed by the Law of December 2010, the Custodian Agreement, the Fund Management Regulations (Article 3) and this prospectus (including appendices). It acts independently of the Management Company and exclusively in the interest of the investors.

## **Registrar and Transfer Agent**

The registrar and transfer agent for the fund is **The Bank of New York Mellon (Luxembourg) S.A.**, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg.

The duties of the registrar and transfer agent consist of processing applications or orders for the subscription, redemption, conversion and transfer of units and in maintaining a register of fund units.

## **Central Administration Agent**

The Central Administration Agent for the fund is **The Bank of New York Mellon (Luxembourg) S.A.**, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg.

The Central Administration Agent is entrusted with fund accounting, the calculation of unit values and compilation of the annual report.

While itself retaining responsibility and control, the Central Administration Agent may outsource tasks to third parties.

## **Fund Manager**

The Management Company may appoint a fund manager with regard to one or more sub-funds as part of a fund manager agreement. In this case, the name and details of each fund manager thereby appointed with regard to the relevant sub-funds will be specified in the section “Management, Sales and Consulting” or in the sub-fund-specific appendix to this prospectus.

The fund manager’s task is, in particular, the independent daily implementation of the investment policy of each sub-fund and the management of the daily business of asset management and the provision of other associated services under the supervision, responsibility and control of the Management Company. These tasks are conducted in compliance with the principles of the investment policy and investment restrictions of each sub-fund as they are described in this prospectus, as well as the legal investment restrictions.

The fund manager is authorised to select agents and brokers to conduct transactions using the fund’s assets. The fund manager is responsible for investment decisions and order placements.

The fund manager is entitled to seek third-party advice, in particular from different investment advisers, at its own expense and under its own responsibility. With the approval of the Management Company, the fund manager is permitted to delegate its duties in whole or in part to third parties, whose remuneration is entirely at the expense of the fund manager. In this case, this prospectus will be modified accordingly.

The fund manager shall bear all expenses that it incurs in conjunction with the services it provides. Broker’s commissions, transaction fees and other business expenses arising in conjunction with the acquisition and sale of the fund’s assets will be borne by the respective sub-funds.

## **Legal Status of Investors**

The Management Company invests investors’ money in the respective sub-fund in its own name for the joint account of investors based on the principles of risk spreading in securities and/or other permitted assets pursuant to Article 41, Paragraph 1 of the Law of December 2010. The invested funds and the assets acquired herewith represent the respective sub-fund assets which are held separately from the Management Company's own assets.

Investors co-own the assets of their respective sub-fund to the extent of their unit holdings. Only registered units of the fund are issued. Units in the respective sub-fund shall be issued in the form of certification and denomination designated in the appendix specific to the sub-fund.

Registered units are entered in the register of unitholders, which is administered by the Registrar and Transfer Agent. In this context, confirmation concerning the entry in the register of unitholders is sent to the address stated in the register of unitholders. There is no claim for issuing physical securities.

The Management Company draws the investors' attention to the fact that any investor will only be able to fully exercise their investor rights directly against the UCI or UCITS if the investor is registered himself and in his own name in the unit register of the UCI or UCITS. In the case where an investor has invested in the UCI or UCITS through an intermediary investing in their own name, but on the behalf of the investor, it may not always be possible for the investor to enforce all investor rights in connection with the UCI or UCITS. Investors are advised to obtain information about their rights.

### Unit Classes

All units in a sub-fund have, as a matter of principle, the same rights, unless the Management Company decides to issue different unit classes within a sub-fund in accordance with Article 5 No. 3 of the Fund Management Regulations. From time to time, the Management Company can decide to designate two or more unit classes within a sub-fund. In terms of their characteristics and rights, unit classes can be distinguished according to the manner in which revenues are applied, to the fee structure, the use of foreign currency hedging contracts or other specific characteristics and rights. All units participate equally in the earnings, price gains, and in the proceeds of liquidation of their relevant unit class from the day of their issuance. If unit classes have been established for the respective sub-fund, these are detailed in the relevant appendix to the prospectus, together with details of their specific characteristics and rights.

The use of foreign currency hedging contracts can occur for units whose reference currency, which is given in brackets for a unit class, is not identical with the fund currency/sub-fund currency. By using foreign currency hedging contracts, the Management Company tries to hedge the currency risk of the reference currency against the fund/sub-fund currency with the Management Company being able to guarantee that a complete hedging of the currency risk can be achieved. In the event of a currency hedging in favour of the reference currency of a unit class, this unit class is appended with an "h" in the sub-fund-specific annex. Therefore "CHF<sup>h</sup>", for example, means that the Management Company will try to hedge the currency risk of the reference currency of the unit class (CHF) against fund/sub-fund currency fluctuations. The cost of hedging is borne by the corresponding unit class.

Whether or not sub-fund units are approved for trading on a stock market is indicated in the relevant appendix to the prospectus.

It is also possible that units in a sub-fund are traded on other markets (e.g. units are included in unofficial regulated trading on a stock market).

The market price underlying market trading or trading in other markets is not solely determined by the value of assets held in the respective sub-fund, but also by the principles of supply and demand. Therefore, this market price may vary from the calculated unit price.

### **General Notes on Trading Sub-fund Units**

Investing in the sub-fund is seen as a long-term investment. The systematic purchase and sale of units, exploitation of time differences and/or possible weaknesses or gaps in the valuation system of the net portfolio value – so-called market timing – can jeopardise the interests of other investors. The Management Company rejects such arbitrage techniques.

In order to avoid such practises, the Management Company reserves the right to withdraw, revoke or suspend an investor's subscription or conversion orders, if there are grounds to suspect that the investor is involved in market timing.

If this is the case, the Management Company shall take appropriate measures to protect the other investors in the respective sub-fund.

## **Investment Policy**

The aim of the investment policy for the individual sub-fund is to achieve a reasonable performance in the respective sub-fund currency (as defined in Article 6, No. 2 of the Fund Management Regulations). Investment policies for specific sub-funds are described in the relevant appendix to the prospectus.

The general investment principles and restrictions outlined in Article 4 of the Fund Management Regulations apply to all sub-funds, unless deviations or additions are contained in the relevant appendix for the respective sub-fund.

Relevant sub-fund assets are invested in compliance with the principles of the spread of risk within the meaning of rules provided for in Part I of the Law of December 2010 and in accordance with investment principles described in Article 4 of the Fund Management Regulations as well as within the investment restrictions.

## **Notes on Derivatives**

The Management Company may in principle, for the relevant sub-fund assets and with the aim of hedging or increasing earnings growth in the best interests of the relevant sub-fund, conclude transactions concerning derivatives traded on stock markets and/or over-the-counter (OTC) derivatives within the framework of the investment objectives, the investment policy and to the extent permitted by law.

In illustration of the general investment policy provisions as described in Article 4 of the Fund Management Regulations, the Management Company can make particular use of the following derivatives for the respective sub-fund:

### **1. Options**

An option conveys the right to buy ("buy option"/ "call") or to sell ("sale option"/ "put") a specific asset at a price specified in advance (the "exercise price") on a specific date in the future ("expiry date") or during a specified period in the future. The price of a call or put option is the option premium.

Both call and put options can be bought or sold for the respective sub-fund provided that the respective sub-fund is entitled to invest in the underlying asset in accordance with the investment objectives mentioned in the Fund Management Regulations.

### **2. Financial futures**

Financial futures are unconditionally binding agreements between both contracting parties to buy or sell a specific amount of an underlying asset at a price agreed upon in advance on a specified date, the expiry date.

Financial futures can only be concluded for the respective sub-fund provided the relevant sub-fund is entitled to invest in the underlying assets in accordance with the investment objectives named in the Fund Management Regulations.

### 3. Currency futures

The Management Company may enter into contracts for currency futures in relation to the relevant sub-fund.

Currency futures are unconditional binding agreements between both contracting parties to buy or to sell a specific amount of an underlying currency at a price agreed upon in advance on a specified date, the expiry date.

### 4. Swaps

#### *General notes*

The Management Company is authorised to conclude swap transactions with a counterparty for the account of the relevant sub-fund within the scope of the investment principles.

A swap is an agreement between two parties that entails exchanging the flow of payments, assets, revenues or risks. As a general rule, a swap is traded over-the-counter, or cleared through a central counterparty. Swaps that can be concluded for the respective sub-fund include, but are not restricted to, interest, currency, asset, credit default and total return swaps.

An interest swap is a transaction in which two parties exchange flows of payment that are related to fixed or variable interest payments. The transaction can be compared to accepting funds at a fixed rate of interest and the simultaneous lending of funds at a variable rate of interest. The nominal amounts of the assets are not exchanged.

Currency swaps mainly involve an exchange of the nominal amounts of assets. They can be compared to accepting funds in one currency while simultaneously lending funds in another currency.

Asset swaps, often called synthetic securities, are transactions that convert returns from a specific asset to another interest-based rate of return (fixed or variable) or to another currency in which the asset (e.g. bond, floating rate note, bank deposit and mortgage) is combined with an interest or currency swap.

An equity swap is characterised by the exchange of flows of payment, value adjustments and/or revenues from one asset against flows of payment, value adjustments, adjustments and/or revenues from another asset, with at least one of the exchanged flows of payment or revenues from an asset classed as a unit or a unit index.

The Management Company may enter into swaps, provided that the contracting partner is a first-class financial institution which specialises in such transactions and provided that the relevant sub-fund may, in accordance with its investment objectives listed in the Management Regulations, invest in the underlying assets.

The Management Company may in particular conclude Total Return Swap Transactions for the account of the relevant sub-fund within the framework of the investment principles. Total Return Swap Transactions are understood by the market as transactions, in which one contracting party (“the total return payer”) transfers the economic development of a reference value to the other contracting party (“the total return receiver”).

*Collateral strategy for over-the-counter derivatives*

In principle, collateral received will have the following properties:

- a) Liquidity: all collateral received, which is not cash, is highly liquid and is traded at a transparent price on a regulated market or within a multilateral trading system, in order that it may be sold at short notice at a price which is close to the valuation which was determined before the sale. Furthermore, the received collateral fulfils the provisions of Article 48 of the Law of the 17 December 2010.
- b) Valuation: received collateral is assessed at least on each stock market trading day. Assets, which show high volatility in price, will only be accepted as collateral if suitable conservative haircut strategies are applied.
- c) Creditworthiness of the issuer: the issuer of the collateral which is received, has a high degree of creditworthiness.
- d) Correlation: the securities received by one of the sub-funds are issued by a legal entity, which is independent from the counterparty and does not strongly correlate to the development of the counterparty.
- e) Diversification of collateral (investment concentration): concerning collateral, attention is paid to maintain an appropriate diversification with reference to countries, markets and issuers. The criteria for appropriate diversification regarding issuer concentration is deemed to be fulfilled if the sub-fund of a counterparty receives a collateral basket during transactions with OTC- derivatives, whose maximum exposure to a certain issuer corresponds to 20% of the net asset value. If a sub-fund involves different counterparties, the different collateral baskets are aggregated, in order to calculate the 20% limit concerning the exposure to a single issuer.
- f) Risks relating to collateral management, e.g. operational and legal risks, are detected, controlled and minimised by the Management Company’s risk management.
- g) In cases of a transfer of rights, the received collateral is held in custody by the depositary institution of the sub-fund. For other types of collateral agreements, the collateral may be held in custody by a third party, who is subject to supervision and who is not affiliated with the warrantor.
- h) The Management Company may utilise received collateral at any time without reference to the counterparty or approval by the counterparty.
- i) Received non-cash collateral is not sold, reinvested or pledged.
- j) Received cash collateral is only:

- invested as a demand deposit with legal entities as laid down in Article 50, Sub-paragraph f of the UCITS Directive;
- invested in high-quality government bonds;
- used for reverse repo transactions, provided that the transactions are carried out with credit institutions, which are subject to supervision and provided that the UCITS may at any time reclaim the full amount of money which has accrued;
- invested in money market funds with a short-term structure as laid down in the definition of the CESR guidelines on a common definition of European money market funds.

Reinvested cash collateral is diversified in accordance with the diversification requirements for non-cash collateral.

#### Haircut strategy

The Management Company applies a clear haircut strategy regarding the sub-funds, which is adapted for all types of assets received as collateral. As a general rule, the Management Company aims to only accept the market-based collateral haircuts.

#### 5. Techniques for managing credit risks

The Management Company is entitled to deploy credit linked notes, viewed as securities within the meaning of Article 4, No. 1 (b) of the Fund Management Regulations, for the respective sub-fund as well as credit default swaps used to render efficient management of the respective sub-fund, provided that these are issued by first-class financial institutions and are in line with the investment policy of the sub-fund.

Credit default swaps (“CDS”) can be negotiated for each sub-fund. CDS are the most common and prolific instruments in the credit derivatives market. CDS enable the credit risk to be disassociated from the underlying credit relationship. This separate marketability of default risks extends the range of options for systematic risk and revenue management. With a CDS, the secured party (the protection buyer) can hedge against certain risks arising from a credit relationship for a fixed period by paying one of the periodic premiums calculated on the basis of the nominal amount and transferring the credit risk to the party furnishing security (the protection seller). The premium is partly based on the quality of the underlying reference entity (i.e. the credit risk). Risks to be shifted are defined in advance as credit events. If the credit event does not occur, the CDS buyer does not have to make a payment. Should the credit event occur, the buyer pays the amount defined in advance, e.g. the face value or a cash settlement (an amount equivalent to the difference between the face value of the reference asset and its prevailing market value after the credit event occurred). The buyer then has the right to tender a reference entity’s asset defined in the agreement, whereas the buyer’s premiums are suspended at this point. The respective sub-fund is entitled to function as the protection buyer or the protection seller.

CDS are traded over-the-counter (OTC), making it possible to take account of the more specific, non-standardised needs of both contracting parties – although this also has an impact on liquidity.

The commitment relating to obligations arising from the CDS should be in the exclusive interest of the fund and in harmony with its policies. Investment restrictions regulated in Article 4, No. 6 of the Fund Management Regulations should take account of the bonds underlying the CDS as well as the relevant issuer.

CDS are valued on a regular basis using traceable and transparent methods. Both Management Company and auditor shall supervise the comprehensibility and transparency of the valuation methods and their application. If discrepancies are established, these are to be remedied by the Management Company.

The whole risk in connection with the use of derivatives, including the risk associated with using CDS, may never exceed the net asset value of the respective sub-fund.

## 6. Remarks

As new derivative instruments become available on the market, the Management Company may add these to the derivatives mentioned above as long as they correspond to investment objectives and provided that the sub-fund is entitled to use them pursuant to supervisory and legal regulations.

## Calculating Unit Value

The net asset value of the fund is given in euros (EUR) (“reference currency”).

The value of a unit (“unit value”) is given in the currency indicated in the respective appendix to the prospectus (“sub-fund currency”) unless an alternative currency is indicated for any other unit classes in the respective appendix to the prospectus (“unit class currency”).

The unit value is determined by the Management Company or one of their agents under the supervision of the Custodian for each named valuation day (“**valuation day**”) relating to the relevant sub-fund, if the banks in Luxembourg are open on these days for daily business transactions, except for the 24<sup>th</sup> and the 31<sup>st</sup> of December (“**bank working day**”). The calculation of the unit value for any given valuation day takes place on the following bank working day (“**calculation day**”).

The unit value is calculated for each valuation day based on the value of the assets of the respective sub-fund, minus the obligations of the sub-fund (“net sub-fund assets”) and divided by the number of units in circulation on the valuation day. This figure is rounded up to two decimal places. Further details on calculating unit value can be found in Article 6 of the Fund Management Regulations.

## Issuance of Units

1. Units are issued on each valuation day at the issue price. The issue price is the unit value as defined in Article 6, No. 4 of the Fund Management Regulations plus a front-end load, whose recipient and maximum amount is detailed for the respective sub-fund in the relevant appendix to the prospectus.

The issue price may increase due to fees or other charges which may be incurred in

the countries of distribution.

2. Subscription applications for the purchase of registered units may be submitted to the Management Company, the Registrar and Transfer Agent, any distributor and the paying agent. The office receiving the application is obliged to forward subscription applications to the Registrar and Transfer Agent without delay. The date and time of receipt at the registrar and transfer agent is definitive. These accept subscription applications on behalf of the Management Company.

Complete subscription applications received by the Registrar and Transfer Agent by 3 pm (CET) on a bank working day prior to a valuation day (“**order acceptance deadline**”) will be settled on the basis of the value of the unit on the next following valuation day. Complete subscription applications received by the Registrar and Transfer Agent after the order acceptance deadline will be settled on the basis of the value of the unit on the second subsequent valuation day.

The Management Company in every case ensures that the issue of units is settled on the basis of a unit value, which was previously unknown to the investor. Should there nevertheless be concerns that an investor is involved in late trading, the Management Company may refuse to accept the subscription applications until the applicant has removed all doubt in respect of his subscription application.

If the consideration for the subscribed units is unavailable when the complete subscription application is received by the Registrar and Transfer Agent, or should the subscription application be incorrect or incomplete, the application will be deemed accepted by the Registrar and Transfer Agent on the date the consideration for the subscribed units is made available or when the application is received in a proper manner.

The issue price is payable within three working days of the appropriate valuation day in the sub-fund currency or, in the case of several unit classes, in the relevant unit class currency at the Custodian in Luxembourg.

If the equivalent value of the units subscribed ceases to be available to the fund, in particular due to the cancellation or non-payment of a direct debit or due to other reasons, the Management Company will redeem the units in question in the interest of the fund. Differences, if any, resulting from the redemption of the units, which have a negative effect on the fund’s assets, have to be borne by the applicant. Revocations made under consumer protection law are excluded from this regulation.

3. Circumstances leading to the issue of units being suspended are described in Article 9 in connection with Article 7 of the Fund Management Regulations.

## **Redemption and Exchange of Units**

1. Investors are entitled to request the redemption of units at unit value at any time in accordance with Article 6, No. 4 of the Fund Management Regulations, where applicable with the deduction of a redemption fee (“redemption price”).

2. This redemption is only effected on a valuation day. If a redemption fee is levied, the maximum amount applicable for each sub-fund is indicated in the relevant appendix to this Prospectus.

The redemption price is reduced in certain countries to pay taxes and other charges which are incurred there. Upon payment of the redemption price, the corresponding unit expires.

3. The payment of the redemption price and other payments, if any, to the investors are made via the Custodian and the paying agents. The Custodian is only obliged to make the payment insofar as no legal requirements, e.g. exchange control regulations, or other circumstances which cannot be influenced by the Custodian, prohibit the transfer of the redemption price to the country of the applicant.

The Management Company may buy back units unilaterally against payment of the redemption price if this appears to be necessary in the interests of all of the investors or to protect the investors or a sub-fund.

4. All or some of the units can be converted to units of another sub-fund based on the reference unit value of the relevant sub-fund in accordance with Article 6, No. 4 of the Fund Management Regulations. This may be subject to a conversion fee in favour of the recipient and in the amount specified in the appendix to the respective sub-fund, but not less than in an amount equivalent to the difference between the front-end load of the sub-fund exchanged and the front-end load of the newly acquired sub-fund. If no conversion fee is levied, this is mentioned in the relevant appendix to the prospectus for the respective sub-fund.

A conversion of units in another sub-fund or in another unit class is only possible if the investor has fulfilled the conditions for the direct acquisition of units in the respective sub-fund or in the respective unit class.

If different unit classes within a sub-fund are offered, it is possible to exchange units within one unit class for units in another class within the fund unless otherwise provided for in the relevant appendix to the prospectus. No conversion fee is levied under these circumstances. The Management Company may reject a conversion request for a sub-fund, if this is deemed to be in the interest of the fund or the sub-fund or in the interest of the investors.

5. Complete redemption or exchange requests for registered units may be submitted to the Management Company, the Registrar and Transfer Agent, a possible distributor or the paying agent. These recipients are obliged to immediately transfer the redemption or exchange requests to the registrar and transfer agents. The date and time of receipt at the registrar and transfer agent is definitive.

A redemption or exchange request for the redemption or exchange of registered units is only complete if it states the name and address of the investor and the number or counter value of the units to be redeemed or exchanged and the name of the sub-fund and if has been signed by the relevant investor.

Complete redemption and exchange requests received by the Registrar and Transfer Agent prior to the order acceptance deadline are settled at the unit value on the subsequent valuation day, less any redemption or conversion fee. Complete redemption and exchange requests received by the Registrar and Transfer Agent after the order acceptance deadline are settled at the unit value on the second subsequent valuation day, less any redemption or conversion fee.

The Management Company will in all cases ensure that the redemption or exchange of units is settled on the basis of a unit value previously unknown to the investor.

Receipt by the Registrar and Transfer Agent is decisive with regard to the receipt of the redemption or exchange request.

The redemption price shall be paid within three banking days of the corresponding valuation day in the sub-fund currency or, in the case of several particular unit classes, in the respective unit class currency.

In the case of registered units, payment is made to an account indicated by the investor.

6. If the calculation of the unit value has been suspended, the Management Company is obliged to temporarily suspend the redemption of units.

7. With the Custodian's prior authorisation and to ensure the protection of investors' interests, the Management Company is only entitled to make substantial redemptions after corresponding assets of the relevant sub-fund are sold without delay. In this case, the redemption is effected at the redemption price applicable at that time. This is correspondingly applicable to requests for the exchange of units.

However, the Management Company ensures that sufficient liquid assets are at the disposal each sub-fund, so that under normal circumstances a redemption or exchange of units can take place at the request of investors without delay.

## **Notes on Risks**

The Management Company uses a risk management process in compliance with the Law of 17 December 2010 and other applicable regulations in particular the CSSF circular 11/512. With this risk management process, the Management Company records and measures the market risk, liquidity risk, counterparty risk and all other risks, including operational risks that are significant to the fund.

Any investment in this fund is associated with the following particular risk factors:

### **Interest Rate Risk**

If the fund invests directly or indirectly in interest-bearing securities, it is exposed to interest-rate risk. If the market interest rate increases, the value of the interest-bearing assets held by the fund may drop significantly. This applies to an even greater degree if the fund also holds interest-bearing securities with a longer residual term to maturity and a lower nominal interest return.

### **Credit Risk**

The creditworthiness (solvency and willingness to pay) of the issuer of securities or money-market instruments held by the fund may subsequently fall. This generally leads to a decrease in prices in excess of general market fluctuations.

### **General Market Risk**

If the fund invests directly or indirectly in securities and other assets, it is exposed to

general trends and tendencies on the markets, especially the securities markets, which are based on manifold, sometimes irrational factors.

Such factors may lead to more significant and longer-lasting declines in prices affecting the entire market. Securities issued by blue chip companies are just as vulnerable to the general market risk as other securities or money market instruments.

### **Default Risk**

Issuers of securities held by the fund and/or debtors of a receivable belonging to the fund may default. As a result of this, the relevant fund assets may become economically worthless.

### **Counterparty Risk**

If the fund engages in over-the-counter trading ("OTC trading"), there is the risk – beyond the general counterparty risk – that the contracting party may default or may not be able to fulfil its obligations completely.

If the sub-fund's OTC transactions (e.g. non-exchange traded futures and options, forwards, total return swaps) can be completed, they are subject to increased credit and counterparty risk, which the Management Company may reduce by entering into contracts for security management (collateral contracts).

The Management Company may enter into transactions for the relevant sub-fund in the OTC markets that expose the sub-fund to the risk of default by their counterparties and risk regarding their ability to meet the contract terms. In the event of bankruptcy or insolvency of a counterparty, this may result in delays for the sub-fund in processing items and significant losses, including depreciation of the value of the investments made during the period during which the sub-fund tried to assert its claims, a lack of success in realising profits during this period and expenses relating to asserting these rights. There is also the possibility that the contracts and derivative transactions stated above may be ended, for example by bankruptcy, new illegality or by a change in the tax law or accounting legislation compared with the provisions applicable when the contract is concluded.

### **Currency Risk**

If the fund directly or indirectly holds assets denominated in a foreign currency, it is exposed to currency risks (if foreign currency positions are not hedged). Any depreciation of the foreign currency versus the fund's base currency results in a fall in the value of the assets that are denominated in the foreign currency.

### **Country/Regional Risk**

If a fund focuses its investments on particular countries or regions, this reduces the risk diversification. Consequently, the fund is particularly dependent on the development of individual or interdependent countries and regions, or of companies based and/or operating in those countries or regions.

## **Concentration Risk**

If the fund focuses its investments on certain markets or types of investment, by definition this concentration does not allow the same scope of diversification of risks across different markets as would be possible if investments were not so concentrated. Consequently, the fund is particularly dependent on the development of these investments as well as of individual or related markets or of companies included in those markets.

## **Country and Transfer Risk**

Economic or political instability that arises in countries in which the fund is invested may result in the fund not receiving the full amount or any of the monies to which it is entitled despite the solvency of the issuer of the respective security. Currency or transfer limitations or other legal changes, for example, may be of significance in this regard.

## **Liquidity Risk**

Even relatively small orders for sales or purchases of illiquid (narrow market) securities can lead to significant price changes. If an asset is not liquid, there is a risk that the asset cannot be sold or can only be sold at a significant discount to the purchase price. When buying, the illiquidity of an asset may lead to a significant increase in its purchase price.

## **Custody Risk**

Custody risk is the risk arising from the possibility that, to the detriment of the fund, the fund could be denied access, in whole or in part, to investments held in custody due to bankruptcy, negligence, wilful misconduct or fraudulent activity on the part of the Custodian or its agents.

## **Settlement Risk**

Particularly when investing in unlisted securities, there is a risk that settlement through a transfer system is not carried out as expected, because a counterparty does not pay or deliver in time or as agreed.

## **Risk of changes to the Fund Management Regulations, the investment policy and other general provisions of the fund**

Unitholders are advised that the Fund Management Regulations, the investment policy of a fund and the other general provisions of a fund may be amended to the extent that it is permitted to do so. In particular, by changing the investment policy of a compliant fund within the permissible spectrum of investment, risks related to the fund may also be subject to change.

## **Certificates and Structured Products**

Certificates and structured products are composite products. Derivatives and/or other techniques and instruments may be embedded in certificates and structured products. Therefore, in addition to the risk characteristics of securities, the risk characteristics of derivatives and other techniques and instruments must be taken into account.

## Use of Derivatives and Related Risks

Through the leverage effect of options, the value of the fund's assets can be more heavily influenced – both positively and negatively – than is the case for the direct purchase of securities and other assets; to this extent their use is associated with special risks.

Option warrants are treated as securities if they are registered for official trading or are traded on other regulated markets, the underlying is a security and this is actually delivered when the option is exercised. Unlike conventional securities, positive or negative movements in the value of the respective sub-fund can be considerably more significant due to the accompanying leveraging.

Financial futures deployed for a reason other than hedging also expose the investor to considerable opportunities and risks, since only a fraction of the respective value of the contract (margin) has to be paid immediately.

In addition, there could be greater volatility based on the composition of the portfolio.

**Rate changes may therefore result in significant gains or losses. This may increase the risk and volatility of the sub-fund and under certain circumstances result in a total loss.**

The Management Company ensures that the relevant risks are covered by the fund's risk management in a reasonable manner.

## Risks Associated with Collateral from OTC Derivatives

In addition, the relevant sub-fund may suffer losses due to the reinvestment of cash collateral or cash from derivatives. Such a loss can result from a decline in value of the investments made with the cash collateral. Decline in the value of investments made with cash collateral has the consequence, that the amount of collateral available to the relevant sub-fund to repay the counterparty upon completion of the transaction is reduced. In this case, the relevant sub-fund is required to pay the difference in value between the original collateral and the amount that is actually available to repay to the counterparty, resulting in a loss to the relevant sub-fund.

## Potential Conflicts of Interest

The Management Company and/or its staff, representatives or affiliated companies may act as a Member of the Board of Directors, fund manager or otherwise as a service provider for the fund or sub-fund.

The Management Company is aware that, as a result of the different functions that are performed in relation to the management of the fund or sub-fund, conflicts of interest may arise. The organisational structures and control mechanisms of the Management Company are sufficient and appropriate based on the Law of 17 December 2010, the Law of 12 July 2013 and the applicable administrative regulations of the CSSF. In particular, the Management Company acts in the best interests of investors in the fund and sub-fund and ensures that conflicts of interest are avoided.

Outsourcing duties to third parties may result in conflicts of interest. Potential conflicts of interest that may arise from the outsourcing of duties are described in the conflict of

interest guidelines.

The Management Company has published identification details and provisions for handling conflicts of interest on its website, [www.alceda.lu](http://www.alceda.lu). Insofar as investors' interests are affected by a conflict of interest, the Management Company will disclose the type and source of the conflict of interest to investors.

The Management Company shall ensure that third parties are aware of the necessary measures regarding compliance with all requirements for organisation and avoidance of conflicts of interest as they are specified in the laws and regulations of Luxembourg and shall monitor compliance with these requirements.

## **Taxation on the Fund**

In the Grand Duchy of Luxembourg, fund assets are subject to a subscription tax – the *taxe d'abonnement* – currently rated at 0.05% p.a. Units in unit classes intended for subscription by non-natural persons as defined by Article 174 (2) c) of the Law of December 2010 are subject to a *taxe d'abonnement* of 0.01% p.a. The Management Company shall ensure that units in this class are only acquired by non-natural persons.

The *taxe d'abonnement* is payable quarterly, based on the relevant net assets and calculated at the end of the quarter for which it is applicable. Assets invested in other Luxembourg investment funds that are themselves subject to the *taxe d'abonnement* are exempt from this *taxe d'abonnement* for the portion of the fund assets, which are invested in such Luxembourg investment funds.

Fund income is not subject to any tax in the Grand Duchy of Luxembourg. However, such income generated in countries where fund assets are invested may be subject to withholding tax. In such cases, neither the Custodian nor the Management Company is obliged to obtain tax certificates.

## **Taxation of Unitholders' Income from Units in the Investment Fund**

In compliance with Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments, ("the Directive"), a withholding tax has been levied in the Grand Duchy of Luxembourg since 1 July 2005.

This withholding tax relates to specific interest income paid to natural persons in Luxembourg who are domiciled for tax purposes in another Member State. Under certain circumstances, this withholding tax can also relate to the interest income of an investment fund.

Under this Directive, EU Member States agreed that all interest payments are subject to taxation in accordance with regulations in place in the country of domicile. In addition, it was agreed that information be automatically exchanged between national taxation authorities. Notwithstanding the above, it was agreed that Luxembourg shall be exempt from such an automatic exchange of information for a transitional period. Instead, a withholding tax on interest income was introduced in Luxembourg. The withholding tax on interest payments is 35% since 1 July 2011. It is paid anonymously to the Luxembourg tax authorities and the investor is issued with an appropriate receipt. This receipt enables taxpayers to fully offset withholding tax paid against any tax liability in the country of domicile of the taxpayer. The deduction of withholding tax can be

avoided by mandating the voluntary exchange of information between tax authorities, or by presenting a "Certificate for the Non- Deduction of Withholding Tax".

Unitholders not domiciled in the Grand Duchy of Luxembourg, or who do not maintain business premises there, are not subject to tax on income, inheritance or capital gains on their income from units generated in the Grand Duchy of Luxembourg. Such investors are subject to their respective national tax regulations as well as any tax regulations of the country in which the units of the fund are kept. If an investor is unclear regarding his tax situation, it is recommend that a legal or tax advisor is consulted.

Since 1 January 2006, natural persons domiciled in the Grand Duchy of Luxembourg, who are not domiciled for tax purposes in any other state, are liable to pay withholding tax pursuant to the Luxembourg law ratifying the Directive on interest income described in the law amounting to 10% on sums above a specified figure. Under certain circumstances, this withholding tax can also relate to the interest income of an investment fund. At the same time, asset tax was abolished in Luxembourg.

Potential investors should seek information and, where necessary, professional advice on laws and regulations governing the purchase, ownership and redemption of units.

## **Publication of Unit Value and Issue and Redemption Prices**

In addition to all other information for the investor, currently applicable unit values and issue and redemption prices are available from the Management Company's head office, the Custodian, the paying agents and the distributor. Issue and redemption prices will be published on each exchange trading day on the Management Company's website, at [www.alceda.lu](http://www.alceda.lu).

## **Information for Investors**

Information, particularly notices to investors, are published, as required by law, in the *Mémorial* and the *Tageblatt* in the Grand Duchy of Luxembourg, as well as in those media appropriate in countries where units are distributed outside the Grand Duchy of Luxembourg.

The following documents are available for inspection free of charge during normal office hours on business days in Luxembourg (except Saturdays) at the Management Company's head office:

- articles of association for the Management Company,
- Custodian agreement, Central Administration agreement and Registrar and Transfer Agent agreement.

The prospectus, the "Key Investor Information Document" as well as the annual and semi-annual reports of the fund can be downloaded from the website of the Management Company, [www.alceda.lu](http://www.alceda.lu), free of charge. Hard copies of the prospectus, the "Key Investor Information Document" as well as the annual and semi-annual reports of the fund are also available from the head office of the Management Company, the Custodian, paying agents and distributors free of charge.

## Appendix 1

### AC – Risk Parity 7 Fund

The following provisions for the sub-fund supplement, or differ from, Article 4 of the Fund Management Regulations.

#### Investment objectives

The aim of the investment policy of the AC – Risk Parity 7 Fund (the “sub-fund”) is to achieve the highest possible long-term yield in euros (EUR) in the respective unit class currency with a target average volatility of 7%.

The performance of the sub-fund is indicated in the “Key Investor Information Document”.

#### Investment Policy

It is anticipated that the aims of the investment policy will be achieved by investing across the world in high-volume exchange-listed standard futures as well as in OTC swaps. By way of example, these future or swap contracts may relate to recognised indices (bond, equity and commodity indices), bonds, currencies and interest rates on the capital markets.

The indices concerned are recognised indices as defined by Art. 9 of Directive 2007/16/EC of the European Commission dated 19 March 2007 on the implementation of Directive 85/611/EEC of the European Council on the Coordination of Laws, Regulations and Administrative Provisions relating to Undertakings for Collective Investment in Transferable Securities (UCITS) with regard to the explanation of certain definitions and CESR guideline 07-044 (“Eligible Assets Directive”).

The sub-fund can conclude interest rate swaps, whereby the sub-fund can commit to paying a fixed interest rate in return for variable interest (*payer swap*) and, conversely, to paying a variable interest rate in return for a fixed interest rate (*receiver swap*).

The above-mentioned swap contracts may also include total return swaps (in which one contractual party (*total return payer*) transfers the entire economic performance of a reference asset to the other contractual party (*total return receiver*)).

The sub-fund assets can also be invested in structured products (e.g. certificates), which are considered securities.

In this context, the sub-fund can also invest indirectly in derivative financial instruments, in particular swaps relating to one or a basket of underlying ETCs (*exchange traded commodities*), which are considered securities and which do not contain any derivative components, in order to participate in the performance of the commodity markets. The sub-fund’s total exposure to the commodity markets resulting from these ETCs and derivatives is intended to be limited to 30% of the sub-fund’s net assets.

The sub-fund may occasionally not be invested in derivatives, such as futures or swaps. The sub-fund may invest up to 100% of its net assets in short-term bank deposits, money market instruments and bonds. Where necessary or useful, this may take place for the

purpose of liquidity management, including regarding the investment of funds not tied up in investments in derivatives, and for the purpose of collateral management in conjunction with OTC derivatives.

The sub-fund employs an effective directional multi-asset strategy that aims to increase value. It optimises allocations to four liquid, low-correlated asset classes. As part of this allocation, the sub-fund primarily takes long positions. Short positions may only be taken up in exceptional circumstances to temporarily reduce the net long position. In all asset classes, the resulting net position will never be negative. As such, the sub-fund does not pursue a market-neutral strategy. Nevertheless, the sub-fund may use derivatives to hedge currency risk. The fund aims to maintain a low average volatility of 7% with the lowest possible correlation to the equity and bond markets based on a scientifically proven risk management system.

For hedging purposes and to increase the performance of the sub-fund's net assets, the sub-fund may make use of both exchange-traded and over-the-counter (OTC) derivatives, such as futures, options and swaps, within the limits set by Article 4 of the Management Regulations. The derivatives stated above may be purchased if the underlying instruments are securities or money market instruments, financial indices, interest rates, exchange rates, currencies or other assets that the sub-fund may purchase. Derivatives are used in an attempt to take advantage of the fluctuations in the relevant markets to maximise returns. The sub-fund may invest up to 10% of its net assets in units or shares in UCITS or other UCIs, including open exchange-traded funds (ETFs).

No securities lending or repurchase agreements are concluded for the sub-fund.

Precise information on the investment limits is contained in Article 4 of the Management Regulations.

**Past performance does not guarantee future performance. No assurances can be given that investment targets will be achieved.**

### **Risk Profile of the Sub-Fund**

Given the circumstances and risks outlined above and with due regard for the defensive, target average volatility of 7%, the opportunities and risks of the sub-fund can be categorised as moderate compared with other fund types. In the most common five-category risk classifications, this corresponds to Class 2 (defensive balanced fund).

Given the orientation of the sub-fund, it is exposed in particular to the following risks: general market risk, country/region-specific risk, creditworthiness risk, liquidity risk, country and transfer risk, custodial risk, concentration risk, counterparty risk, default risk and currency risk. Details of other risks can be found in the chapter "Notes on Risks" in the prospectus.

Among other considerations, it should be stressed that declines in prices, particularly where they affect the overall market, and possibly even significantly more persistent declines, can have a negative impact on the sub-fund's assets.

Unlike conventional securities, positive or negative movements in the value of the respective sub-fund can be considerably more significant due to the accompanying leveraging.

Financial futures contracts which are used for purposes other than hedging are also associated with significant opportunities and risks, as only a fraction of the contract value (the “margin”) must be paid immediately.

Further details on derivatives can be found in the “Notes on Derivatives” chapter of the prospectus. Total return swap transactions and other derivatives with similar characteristics can be completed and invested in financial indices for the sub-fund.

### **Risk Profile for the Typical Investor**

The sub-fund is directed at investors who wish to fully participate in economic developments on global stock, bond, currency and interest rate markets and who, by investing in this sub-fund and accepting the target average volatility of 7%, aim to profit from long-term earnings prospects.

The investment period should ideally be at least three to five years.

### **Risk Management and Expected Leverage**

Market risk calculation: Absolute value-at-risk approach

The investment strategy of the AC - Risk Parity 7 Fund (the “fund”) takes the various volatilities of different asset classes into account. Low-risk asset classes are weighted higher than asset classes with a higher risk.

The strategy of the fund is implemented taking into account the volatilities and correlations of the asset classes. A target volatility of 7 per cent is firstly drawn up for the fund. The risk budget is then allocated to the respective asset classes in equal units, taking the correlations into account. In general, the asset class correlations result in the net leverage (correlation effects are taken into account) always being smaller than the gross leverage (correlation effects are not taken into account), if there is no perfect positive correlation of all asset classes. As the asset correlation of the AC – Risk Parity 7 Fund is optimised with respect to liquid and non- correlated asset classes, it can be ensured that net leverage is always lower than gross leverage. An efficient risk management system is integrated into the fund’s system.

When implementing this strategy, low- risk asset classes are geared to a higher volatility level with derivatives, whilst high-risk asset classes are weighted less.

Risk and return aspects are integral in the selection of asset classes. The equity, bond, commodities and interest rate asset classes are currently used. These are asset classes with an appropriately high compensation for the risk incurred (positive risk premium) and with highly liquid derivatives (future contracts).

Taking the interest rate asset class as an example, this in practice means that, in direct comparison to the other asset classes, the risk per currency unit is significantly lower, resulting in correspondingly significantly lower expected returns. In order to establish an equal weighting of risk between interest rates and the other 3 asset classes, the percentage of the interest rate asset class must be correspondingly increased through the use of derivatives. In this regard, the relatively lower expected return of the interest rate asset class is also indirectly raised. Assuming that investments have long-term similar Sharpe Ratios,

by equally weighting the risk of the asset classes across the entire portfolio, a long term equal distribution of expected returns on asset classes can be expected. The various asset classes are distributed on the basis of their risk contribution to the portfolio as a whole while adhering to the given risk budget and risk limits. If the fund assets were equally distributed to various asset classes without taking their risks into account, some asset classes, such as commodities for example, would contribute significantly more risk to the portfolio as a whole than other asset classes.

Achieving an equal weighting of risk between various asset classes is the ultimate directive of the fund. The use of interest rate futures is required for this reason to ensure a balanced risk weighting with other asset classes. The volatilities of interest rate futures contribute fractionally compared to other asset classes. To ensure an equally weighted risk allocation between interest rate futures and other asset classes, the expected gross leverage (before netting and hedging) is approx. 4- 5 times the fund volume in the fund with respect to exposures to interest rate futures. In combination with the other asset classes, an expected gross leverage of a total of 6-7 times the fund volume arises in the fund. However, the reporting of a leverage of this amount for the fund exaggerates the risk several times over, as the correlations between the asset classes are not taken into account and the low volatility of the underlying asset class is not included in the key leverage figure either. Other key risk figures that are based on the actual historical performance of the fund clarify this issue. For example, the volatility of the fund in recent years was, as expected, below the desired target volatility; in addition, past examples (2008, summer 2011) show that a supposedly high leverage nevertheless led to a low and predictable level of risk.

The term leverage – according to CSSF circular 11/512 – is to be understood as the sum of the face values of the derivative financial instruments held by a sub-fund. For derivatives that do not have a nominal value, the UCITS must be based on the market value of the equivalent position of the underlying assets.

In this context, a leverage of 0 is to be considered an unleveraged portfolio.

Based on the calculation method of the leverage, the stated leverage may lead to conservative results, because derivatives which are used for risk reduction purposes will be entered into the calculation with their absolute amount and this may lead to an increased leverage risk being shown.

As a result of this, the leverage can be significant (in certain cases) and may not necessarily represent the exact leverage risk that the investor sees himself as facing. The expected leverage is stated in the field above as an absolute value and is based on historical data. The statement of the expected leverage is not a target value, but an expected value that may, as an average estimate, consist of lower and higher leverages. Consequently, the leverage is not an investment restriction and no compensation can be claimed in the event that it is disregarded.

**Financial futures contracts that are used for purposes other than hedging are also associated with significant opportunities and risks as only a fraction of the actual contract value (the “margin”) must be paid, resulting in the degree of leverage shown. Furthermore, higher volatility arises from this leverage. Price fluctuations have a significant influence on the gains and losses of the sub- fund. The risks and volatility of the sub-fund could rise accordingly.**

## AC – Risk Parity 7 Fund: Overview of Unit Classes

Unit Class	WKN	ISIN	Initial Issue Price	Initial Unit Value	Currency	Minimum Initial Investment	Initial Subscription Period	Valuation Date	Profit Application
CHF A <sup>h</sup>	A1C23F	LU0531218880	CHF 105	CHF 100	CHF	CHF 50,000	30.08.10	01.09.10	accumulating
CHF B <sup>h</sup>	A1C23G	LU0531219003	CHF 105	CHF 100	CHF	CHF 1,000	30.08.10	01.09.10	accumulating
EUR A	A0M2SJ	LU0326194015	EUR 105	EUR 100	EUR	EUR 50,000	14.01.08 - 01.02.08	05.02.08	accumulating
EUR B	A0NH4J	LU0355228080	EUR 105	EUR 100	EUR	EUR 1,000	25.04.08 - 16.05.08	20.05.08	accumulating
EUR C	A0YDBW	LU0461003013	EUR 105	EUR 100	EUR	EUR 50,000	29.10.09 - 30.10.09	02.11.09	distributing
EUR D	A1JK6G	LU0682137467	EUR 105	EUR 100	EUR	EUR 1,000	03.10.11 - 07.10.11	12.10.11	distributing
EUR I	A1T8NJ	LU0916843732	EUR 105	EUR 100	EUR	EUR 100,000	15.05.13 - 28.05.13	31.05.13	accumulating
EUR L	A1C8CB	LU0554703917	EUR 105	EUR 100	EUR	EUR 25,000,000	28.10.10	02.11.10	accumulating
EUR X	A1T8NP	LU0908804544	EUR 105	EUR 100	EUR	EUR 10,000,000	22.04.13 - 26.04.13	02.05.13	accumulating
GBP A <sup>h</sup>	A0NH4L	LU0355228247	GBP 105	GBP 100	GBP	GBP 50,000	07.07.08 - 18.07.08	22.07.08	accumulating
SEK B <sup>h</sup>	A1W4EE	LU0964658230	SEK 105	SEK 100	SEK	SEK 10,000	02.09.13 - 13.09.13	18.09.13	accumulating
USD A <sup>h</sup>	A0NH4K	LU0355228163	USD 105	USD 100	USD	USD 100,000	07.07.08 - 18.07.08	22.07.08	accumulating
USD B <sup>h</sup>	A1C8CA	LU0554703750	USD 105	USD 100	USD	USD 1,000	28.10.10	02.11.10	accumulating
USD I <sup>h</sup>	A1T8NN	LU0916844896	USD 105	USD 100	USD	USD 100,000	15.05.13 - 28.05.13	31.05.13	accumulating
USD R <sup>h</sup>	A1T8NM	LU0916844540	USD 105	USD 100	USD	None	15.05.13 - 28.05.13	31.05.13	accumulating
CZK B <sup>h</sup>	-	LU1266137501	CZK 1.050,-	CZK 1.000,-	CZK	CZK 25.000,-	28.07.15 - 04.08.15	07.08.15	accumulating
JPY I <sup>h</sup>	-	LU1266138814	JPY 10.000,-	JPY 10.000,-	JPY	JPY 100.000.000,-	28.07.15 - 04.08.15	07.08.15	accumulating

Currency hedging: Unit classes which are issued in a currency other than that of the sub-fund currency are marked with a (h) and can be hedged against currency fluctuations.

Euro X units: These units are exclusively reserved for investors who have stipulated a special remuneration agreement with an entity of the Aquila Group or who are in a direct employee relationship with the latter. This is audited by the Management Company before the processing of the subscription request. In this case, the minimum initial subscription amount total does not apply to investors who are in a direct employee relationship with Aquila Group.

"R" and "I" units: These units are exclusively reserved for investors who meet special requirements such as total investment volumes in the AC Fund or holding period, as have been determined by the Management Company. Detailed information concerning the requirements currently in force is available at the Management Company of the fund.

In general, it is at the Management Company's discretion to also accept low minimum initial investments sums.

Valuation day of the sub-fund:	Every banking day in Luxembourg with the exception of the 24th and 31st December of each year
Front-end load (as % of the unit value):	Max. 5%
Payment of issue and redemption price:	Within three banking days
Fund currency:	euros (EUR)
Sub-fund currency:	euros (EUR)
Certification of the unit certificates:	Registered units, unit register
Denomination:	Up to four decimal places
End of financial year:	31 December
End of the first financial year:	31 December 2008
Reports:	First unaudited semi-annual report 30 June 2008 First audited statement of accounts 31 December 2008
Fund/sub-fund launched:	19 October 2007
Fund Management Regulations – last publication of the notification of filing in the <i>Mémorial C</i> :	31 July 2015

## Costs refunded from the sub-fund's assets

### 1. Management Company Fees

The Management Company receives a fee of up to 0.37% p.a. for managing the sub-fund, based on the average daily net assets of the sub-fund. In addition, a fixed monthly management fee of EUR 500.00 per unit class is charged. These fees are paid monthly in arrears to the Management Company and are subject to VAT, where applicable.

For the ongoing administration of the fund, which includes the central administration tasks, the Management Company receives a fee of 0.228% p.a. based on the average net assets of the sub-fund as calculated on a daily basis. This fee is payable monthly in arrears. The administrative fee includes the compensation of the central administration agent for the assumption of its activities.

In addition, the Management Company may receive additional performance-based compensation ("performance fee") from the respective unit classes as described below:

Performance fee for unit class EUR L:

The Management Company receives a quarterly performance fee equivalent to 25% of the increase in assets exceeding a growth of 2.5% p.a.

The increase in assets is determined on the basis of the unit price performance, the net assets of the sub-fund underlying this performance, the hurdle rate, and takes into account a historical high point during the previous calculation period ("high water mark"). The calculation period is one quarter. The performance fee is calculated and accrued on each valuation day, provided that the unit price lies above the hurdle rate. There is no requirement in subsequent calculation periods to make up for any failure to achieve the hurdle rate at the end of a preceding calculation period.

Performance fee for other unit classes:

The Management Company receives a quarterly performance fee of up to 15% of the increase in assets.

The increase in assets is determined on the basis of the unit price performance, the net assets of the sub-fund underlying this performance and takes into account a historical high point during the previous calculation period ("high water mark"). The calculation period is one quarter. The performance fee is calculated and accrued on each valuation day provided that the unit price lies above the high water mark.

These fees are subject to VAT, where applicable.

### 2. Portfolio Management Fee

For portfolio management, the Management Company receives a fee of up to a total of 1.20% p.a. based on the average daily net assets of the sub-fund. This fee is payable monthly in arrears.

The Management Company uses a proven risk management system to help with investment decisions. The use of this risk management system is subject to a license fee, which is deducted from the portfolio management fee.

These fees are subject to VAT, where applicable.

### **3. Custodian Fees**

As consideration for the fulfilment of its responsibilities under the Custodian agreement, the Custodian receives a fee of up to 0.02% p.a., based on the average daily net assets of the sub-fund, including transaction costs. This fee is subject to an annual minimum of EUR 20,000 and is paid out monthly in arrears; it is subject to VAT, if applicable.

### **4. Registrar and Transfer Agent Fees**

For the performance of their duties, the registrar and transfer agent receives a fee of EUR 100 per registered account and transaction costs in the amount of EUR 15 per transaction. Additionally, the sub-fund assets also bear any other expenses and costs arising from the booking process, transactions or other activities of the Registrar and Transfer Agent necessary for the fund. More information on these charges is available on request from the Management Company of the fund or in the Registrar and Transfer Agent Agreement. These fees are paid monthly in arrears and are subject to VAT, where applicable.

### **5. Distributor Fee**

For unit classes in categories “B” and “D”, the distributor receives annual compensation for the performance of their duties of up to 0.5% p.a. of the net sub-fund assets. This fee is based on the average daily net assets of the sub-fund. This above-mentioned fee is paid out monthly in arrears and is subject to VAT, if applicable.

The distributor does not currently receive a distributor fee for other unit classes.

### **6. Other Costs**

In addition, the costs detailed in Article 11 of the Fund Management Regulations may also be charged against the sub-fund assets.

#### **Costs borne by investors:**

Front-end load: (paid to the distributor)	max. 5%
Redemption fee EUR L:	max. 3%
Redemption fee: other unit classes:	none
Conversion fee:	none

#### **Appropriation of income**

Income from the unit classes "D" and "C" as well as unit class AUD I is distributed. The income is distributed in intervals determined from time to time by the Management Company. Generally, distribution shall take place at the end of the fund's financial year.

The income from all other unit classes is accumulated.

## Appendix 2

### AC – Risk Parity 12 Fund

The following provisions for the sub-fund supplement or differ from Article 4 of the Fund Management Regulations.

#### Investment objectives

The aim of the investment policy of the AC – Risk Parity 12 Fund (the “sub-fund”) is to achieve the highest possible long-term yield in euros (EUR) in the respective unit class currency with a target average volatility of 12%.

The performance of the sub-fund is indicated in the “Key Investor Information Document”.

#### Investment Policy

It is anticipated that the aims of the investment policy will be achieved by investing across the world in high-volume exchange-listed standard futures and OTC swaps. By way of example, these future or swap contracts may relate to recognised indices (bond, equity and commodity indices), bonds, currencies and interest rates on the capital markets.

The indices concerned are recognised indices as defined by Art. 9 of Directive 2007/16/EC of the European Commission dated 19 March 2007 on the implementation of Directive 85/611/EEC of the European Council on the Coordination of Laws, Regulations and Administrative Provisions relating to Undertakings for Collective Investment in Transferable Securities (UCITS) with regard to the explanation of certain definitions and CESR guideline 07-044 (“Eligible Assets Directive”).

The sub-fund can conclude interest rate swaps, whereby the sub-fund can commit to paying a fixed interest rate in return for variable interest (*payer swap*) and, conversely, to paying a variable interest rate in return for a fixed interest rate (*receiver swap*).

The above-mentioned swap contracts may also include total return swaps (in which one contractual party (*total return payer*) transfers the entire economic performance of a reference asset to the other contractual party (*total return receiver*).

The sub-fund assets can also be invested in structured products (e.g. certificates), which are considered securities.

In this context, the sub-fund can also invest indirectly in derivative financial instruments, in particular swaps relating to one or a basket of underlying ETCs (*exchange traded commodities*), which are considered securities and which do not contain any derivative components, in order to participate in the performance of the commodity markets. The sub-fund’s total exposure to the commodity markets resulting from these ETCs and derivatives is intended to be limited to 30% of the sub-fund’s net assets.

The sub-fund may occasionally not be invested in derivatives, such as futures or swaps. The sub-fund may invest up to 100% of its net assets in short-term bank deposits, money market instruments and bonds. Where necessary or useful, this may take place for the

purpose of liquidity management including with regard to the investment of funds not tied up in investments in derivatives and for the purpose of collateral management in conjunction with OTC derivatives.

The sub-fund employs an effective directional multi-asset strategy that aims to increase value. It optimises allocations to four liquid, low-correlated asset classes. As part of this allocation, the sub-fund primarily takes long positions. Short positions may only be taken up in exceptional circumstances to temporarily reduce the net long position. In all asset classes, the resulting net position will never be negative. As such, the sub-fund does not pursue a market neutral strategy. Nevertheless, the sub-fund may use derivatives to hedge currency risk.

The fund aims to maintain a moderate average volatility of 12% with the lowest possible correlation to the equity and bond markets based on a scientifically proven risk management system.

For hedging purposes and to increase the performance of the sub-fund's net assets, the sub-fund may make use of both exchange-traded and over-the-counter (OTC) derivatives, such as futures, options and swaps, within the limits set by Article 4 of the Management Regulations. The derivatives stated above may be purchased if the underlying instruments are securities or money market instruments, financial indices, interest rates, exchange rates, currencies or other assets that the sub-fund may purchase. Derivatives are used in an attempt to take advantage of the fluctuations in the relevant markets to maximise returns. For hedging purposes and to increase the performance of the sub-fund's net assets, the sub-fund may enter into transactions in futures contracts.

The sub-fund may invest up to 10% of its net assets in units or shares in UCITS or other UCIs, including open exchange-traded funds (ETFs). No securities lending or repurchase agreements are concluded for the sub-fund.

Precise information on the investment limits is contained in Article 4 of the Management Regulations.

**Past performance does not guarantee future performance. No assurances can be given that investment targets will be achieved.**

### **Risk Profile of the Sub-Fund**

Given the circumstances and risks outlined above and with due regard for the defensive target average volatility of 12%, the opportunities and risks of the sub-fund can be categorised as moderate to mild compared with other fund types. In the most common five-category risk classifications, this corresponds to Class 3 (dynamic balanced fund).

Given the orientation of the sub-fund, it is exposed in particular to the following risks: general market risk, country/region-specific risk, creditworthiness risk, liquidity risk, country and transfer risk, custodial risk, concentration risk, counterparty risk, default risk and currency risk. Details of other risks can be found in the chapter "Notes on Risks" in the prospectus.

Among other considerations, it should be stressed that declines in prices, particularly where they affect the overall market, and possibly even significantly more persistent declines, can have a negative impact on the sub-fund's assets.

Unlike conventional securities, positive or negative movements in the value of the respective sub-fund can be considerably more significant due to the accompanying leveraging.

Financial futures which are used for purposes other than hedging are also associated with significant opportunities and risks, as only a fraction of the contract value (the “margin”) must be paid immediately.

Further details on derivatives as well as techniques and instruments can be found in the “Notes on Derivatives” chapter of the prospectus.

Total return swap transactions and other derivatives with similar characteristics can be completed and invested in financial indices for the sub-fund. The special features are set out in Appendix 4.

### **Risk Profile for the Typical Investor**

The sub-fund is directed at investors who wish to fully participate in economic developments on global stock, bond, currency and interest rate markets and who, by investing in this sub-fund and accepting the target average volatility of 12%, aim to profit from long-term earnings prospects.

In this case, the investor should be aware of the specific risks that arise through the use of selected financial market instruments, as well as the leverage of the fund as described below.

The investment period should ideally be at least five years.

### **Risk Management and Expected Leverage**

Market risk calculation: Absolute value-at-risk approach

The investment strategy of the AC - Risk Parity 12 Fund (the “fund”) takes the various volatilities of different asset classes into account. Low-risk asset classes are weighted higher than asset classes with a higher risk.

The strategy of the fund is implemented taking into account the volatilities and correlations of the asset classes. A target volatility of 12 percent is drawn up for the fund. The risk budget is then allocated to the respective asset classes in equal units, taking the correlations into account. In general, the asset class correlations result in the net leverage (correlation effects are taken into account) always being smaller than the gross leverage (correlation effects are not taken into account), if there is no perfect positive correlation on all asset classes. As the asset correlation of the AC – Risk Parity 12 Fund is optimised with respect to liquid and non-correlated asset classes, it can be ensured that net leverage is always lower than gross leverage. An efficient risk management system is integrated into the fund’s system.

When implementing this strategy, low-risk asset classes are geared to a higher volatility level with derivatives, whilst high-risk asset classes are weighted less.

Risk and return aspects are integral in the selection of asset classes. The equity,

bond, commodities and interest rate asset classes are currently used. These are asset classes with an appropriately high compensation for the risk incurred (positive risk premium) and with highly liquid derivatives (future contracts).

Taking the interest rate asset class as an example, this in practice means that, in direct comparison to the other asset classes, the risk per currency unit is significantly lower, resulting in correspondingly significantly lower expected returns. In order to establish an equal weighting of risk between interest rates and the other 3 asset classes, the percentage of the interest rate asset class must be correspondingly increased through the use of derivatives. In this regard, the relatively lower expected return of the interest rate asset class is also indirectly raised. Assuming that investments have similar long-term Sharpe Ratios, by equally weighting the risk of the asset classes across the entire portfolio, a long-term equal distribution of expected returns can be expected. The various asset classes are distributed on the basis of their risk contribution to the portfolio as a whole while adhering to the given risk budget and risk limits. If the fund assets were equally distributed to various asset classes without taking their risks into account, some asset classes, such as commodities for example, would contribute significantly more risk to the portfolio as a whole than other asset classes.

Achieving an equal weighting of risk between various asset classes is the ultimate directive of the fund. The use of interest rate futures is required for this reason to ensure a balanced risk weighting with other asset classes. The volatilities of interest rate futures contribute fractionally compared to other asset classes. To ensure an equally weighted risk allocation between interest rate futures and other asset classes, the expected gross leverage (before netting and hedging) is approx. 5-7 times the fund volume in the fund with respect to exposures to interest rate futures. In combination with the other asset classes, an expected gross leverage of a total of 8-10 times the fund volume arises in the fund.

However, the reporting of a leverage of this amount for the fund exaggerates the risk several times over, as the correlations between the asset classes are not taken into account and the low volatility of the underlying asset class is not included in the key leverage figure either. Other key risk figures that are based on the actual historical performance of the fund clarify this issue. For example, the volatility of the fund in recent years was, as expected, below the desired target volatility; in addition, past examples (2008, summer 2011) show that a supposedly high leverage nevertheless led to a low and predictable level of risk.

The term leverage – according to CSSF circular 11/512 – is to be understood as the sum of the face values of the derivative financial instruments held by a sub-fund. For derivatives that do not have a nominal value, the UCITS must be based on the market value of the equivalent position of the underlying assets.

In this context, a leverage of 0 is to be considered an unleveraged portfolio.

Based on the calculation method of the leverage, the stated leverage may lead to conservative results, because derivatives which are used for risk reduction purposes will be entered into the calculation with their absolute amount and this may lead to an increased leverage risk being shown.

As a result of this, the leverage can be significant (in certain cases) and may not necessarily represent the exact leverage risk that the investor sees himself as facing. The

expected leverage is stated in the field above as an absolute value and is based on historical data. The statement of the expected leverage is not a target value, but an expected value that may, as an average estimate, consist of lower and higher leverages. Consequently, the leverage is not an investment restriction and no compensation can be claimed in the event that it is disregarded.

Financial futures contracts that are used for purposes other than hedging are also associated with significant opportunities and risks as only a fraction of the actual contract value (the "margin") must be paid, resulting in the degree of leverage shown. Furthermore, higher volatility arises from this leverage. Price fluctuations have a significant influence on the gains and losses of the sub-fund. The risks and volatility of the sub-fund could rise accordingly.

## AC – Risk Parity 12 Fund: Overview of Unit Classes

Unit Class	WKN	ISIN	Initial Issue Price	Initial Unit Value	Currency	Minimum Initial Investment	Initial Subscription Period	Valuation Date	Profit Application
CHF A <sup>h</sup>	A1C8CC	LU0554704139	CHF 105	CHF 100	CHF	CHF 50,000	28.10.10	02.11.10	accumulating
CHF B <sup>h</sup>	A1C8CD	LU0554704212	CHF 105	CHF 100	CHF	CHF 1,000	28.10.10	02.11.10	accumulating
EUR A	A0Q578	LU0374107992	EUR 105	EUR 100	EUR	EUR 50,000	20.08.08 - 03.09.08	05.09.08	accumulating
EUR B	A0RNQ5	LU0430218775	EUR 105	EUR 100	EUR	EUR 1,000	18.05.09 - 26.05.09	28.05.09	accumulating
EUR C	A1JK6M	LU0682206882	EUR 105	EUR 100	EUR	EUR 50,000	03.10.11 - 07.10.11	12.10.11	distributing
EUR D	A1JK6N	LU0682218119	EUR 105	EUR 100	EUR	EUR 1,000	03.10.11 - 07.10.11	12.10.11	distributing
EUR I	A1T8NT	LU0916845869	EUR 105	EUR 100	EUR	EUR 100,000	15.05.13 - 28.05.13	31.05.13	accumulating
EUR R	A1T8NU	LU0916845943	EUR 105	EUR 100	EUR	None	15.05.13 - 28.05.13	31.05.13	accumulating
EUR X	A0Q579	LU0374108883	EUR 105	EUR 100	EUR	EUR 10,000,000	20.08.08 - 03.09.08	05.09.08	accumulating
GBP A <sup>h</sup>	A1C23H	LU0531219185	GBP 105	GBP 100	GBP	GBP 50,000	30.08.10	01.09.10	accumulating
GBP B <sup>h</sup>	A1JK6P	LU0682219430	GBP 105	GBP 100	GBP	GBP 1,000	03.10.11 - 07.10.11	12.10.11	accumulating
SEK B <sup>h</sup>	A1W4EF	LU0964661887	SEK 105	SEK 100	SEK	SEK 10,000	02.09.13 - 13.09.13	18.09.13	accumulating
SGD A <sup>h</sup>	A1JK6Q	LU0682220792	SGD 105	SGD 100	SGD	SGD 50,000	03.10.11 - 07.10.11	12.10.11	accumulating
USD A <sup>h</sup>	A0Q58A	LU0374108537	USD 105	USD 100	USD	USD 100,000	20.08.08 - 03.09.09	05.09.08	accumulating
USD B <sup>h</sup>	A1C8B9	LU0554704055	USD 105	USD 100	USD	USD 1,000	28.10.10	02.11.10	accumulating
USD I <sup>h</sup>	A1T8NX	LU0916846321	USD 105	USD 100	USD	USD 100,000	15.05.13 - 28.05.13	31.05.13	accumulating

Currency hedging: Unit classes which are issued in a currency other than that of the sub-fund currency are marked with a (h) and can be hedged against currency fluctuations.

Euro X units: These units are exclusively reserved for investors who have stipulated a special remuneration agreement with an entity of the Aquila Group or who are in a direct employee relationship with the latter. This is audited by the Management Company before the processing of the subscription request. In this case, the minimum initial subscription amount total does not apply to investors who are in a direct employee relationship with Aquila Group.

"R" and "I" units: These units are exclusively reserved for investors who meet special requirements such as total investment volumes in the AC Fund or holding period, as have been determined by the Management Company. Detailed information concerning the requirements currently in force is available at the Management Company of the fund.

In general, it is at the Management Company's discretion to also accept low minimum initial investments sums.

Valuation day of the sub-fund:	Every banking day in Luxembourg with the exception of the 24th and 31st December of each year
Front-end load (as % of the unit value):	Max. 5%
Payment of issue and redemption price:	Within three banking days
Fund currency:	euros (EUR)
Sub-fund currency:	euros (EUR)
Certification of the unit certificates:	Registered units, unit register
Denomination:	Up to four decimal places
End of financial year:	31 December
End of the first financial year:	31 December 2008
Reports:	First unaudited semi-annual report 30 June 2008 First audited statement of accounts 31 December 2008
Fund/sub-fund launched:	20 August 2008
Fund Management Regulations – last publication of the notification of filing in the <i>Mémorial C</i> :	31 July 2015

## **Costs reimbursed from the sub-fund's assets**

### **1. Management Company Fees**

The Management Company receives a fee of up to 0.37% p.a. for managing the sub-fund based on the average daily net assets of the sub-fund. In addition, a fixed monthly management fee of EUR 500.00 per unit class is also charged. These fees are paid monthly in arrears and are subject to VAT, where applicable.

For the ongoing administration of the fund, which includes the central administration tasks, the Management Company receives a fee of 0.228% p.a. based on the average daily net assets of the sub-fund. This fee is payable monthly in arrears. The administrative fee includes the compensation of the Central Administration for the assumption of its activities.

In addition to this fixed administration fee, the Management Company also receives a quarterly performance-based fee in an amount up to 15% of the increase in assets.

The increase in assets is determined on the basis of the unit price performance, the net assets of the sub-fund underlying this performance and takes into account a historical high point during the previous calculation period ("high water mark"). The calculation period is one quarter. The performance fee is calculated and accrued on each valuation day provided that the unit price lies above the high water mark.

These fees are subject to VAT, where applicable.

### **2. Portfolio Management Fee**

For portfolio management, the Management Company receives a total fee of up to 1.35% p.a. based on the average daily net assets of the sub-fund. This fee is payable monthly in arrears.

The Management Company uses a proven risk management system to help with investment decisions. The use of this risk management system is subject to a license fee, which is deducted from the portfolio management fee.

These fees are subject to VAT, where applicable.

### **3. Custodian Fees**

As consideration for the fulfilment of its responsibilities under the Custodian agreement, the Custodian receives a fee of up to 0.02% p.a., based on the average daily net assets of the sub-fund, including transaction costs. This fee is subject to an annual minimum of EUR 20,000 and is paid out monthly in arrears; it is subject to VAT, if applicable.

#### 4. Registrar and Transfer Agent Fees

For the performance of their duties, the registrar and transfer agent receives a fee of EUR 100 per registered account and transaction costs in the amount of EUR 15 per transaction. Additionally, the sub-fund assets also bear any other expenses and costs arising from the booking process, transactions or other activities of the registrar and transfer agents that are necessary for the sub-fund. More information on these charges is available on request from the Management Company of the fund or in the Registrar and Transfer Agent Agreement. These fees are paid monthly in arrears and are subject to VAT, where applicable.

#### 5. Distributor Fee

For unit classes in categories "B" and "D", the distributor receives annual compensation from the net sub-fund assets for the performance of their duties amounting to up to 0.5% p.a. of the net sub-fund assets. This fee is based on the average daily net assets of the sub-fund. This above-mentioned fee is paid out monthly in arrears and is subject to VAT, if applicable.

The distributor does not currently receive a distributor fee for other unit classes.

#### 6. Other Costs

In addition, the costs detailed in Article 11 of the Fund Management Regulations may also be charged against the sub-fund assets.

##### Costs borne by investors

Front-end load: (paid to the distributor)	max. 5%
Redemption fee:	none
Conversion fee:	none

##### Appropriation of income

Income from the sub-fund is accumulated.

Income of the unit classes "D" and "C" as well as unit class AUD I is distributed. The income is distributed in intervals determined from time to time by the Management Company. Generally, distribution shall take place at the end of the fund's financial year.

## Appendix 3

### AC – Risk Parity 17 Fund

The following provisions for the sub-fund supplement or differ from Article 4 of the Fund Management Regulations.

#### Investment objectives

The aim of the investment policy of the AC – Risk Parity 17 Fund (the “sub-fund”) is to achieve the highest possible long-term yield in euros (EUR) in the respective unit class currency with a target average volatility of 17%.

The performance of the sub-fund is indicated in the “Key Investor Information Document”.

#### Investment Policy

It is anticipated that the aims of the investment policy will be achieved by investing across the world in high-volume exchange-listed standard futures and OTC swaps. By way of example, these future or swap contracts may relate to recognised indices (bond, equity and commodity indices), bonds, currencies and interest rates on the capital markets.

The indices concerned are recognised indices as defined by Art. 9 of Directive 2007/16/EC of the European Commission dated 19 March 2007 on the implementation of Directive 85/611/EEC of the European Council on the Coordination of Laws, Regulations and Administrative Provisions relating to Undertakings for Collective Investment in Transferable Securities (UCITS) with regard to the explanation of certain definitions and CESR guideline 07-044 (“Eligible Assets Directive”).

The sub-fund can conclude interest rate swaps, whereby the sub-fund can commit to paying a fixed interest rate in return for variable interest (*payer swap*) and, conversely, to paying a variable interest rate in return for a fixed interest rate (*receiver swap*).

The above-mentioned swap contracts may also include total return swaps (in which one contractual party (*total return payer*) transfers the entire economic performance of a reference asset to the other contractual party (*total return receiver*)).

The sub-fund assets can also be invested in structured products (e.g. certificates), which are considered securities.

In this context, the sub-fund can also invest indirectly in derivative financial instruments, in particular swaps relating to one or a basket of underlying ETCs (*exchange traded commodities*), which are considered securities and which do not contain any derivative components, in order to participate in the performance of the commodity markets. The sub-fund’s total exposure to the commodity markets resulting from these ETCs and derivatives is intended to be limited to 30% of the sub-fund’s net assets.

The sub-fund may occasionally not be invested in derivatives, such as futures or swaps.

The sub-fund may invest up to 100% of its net assets in short-term bank deposits, money

market instruments and bonds. Where necessary or useful, this may take place for the purpose of liquidity management including with regard to the investment of funds not tied up in investments in derivatives and for the purpose of collateral management in conjunction with OTC derivatives.

The sub-fund employs an effective directional multi-asset strategy that aims to increase value. It optimises allocations to four liquid, low-correlated asset classes. As part of this allocation, the sub-fund primarily takes long positions. Short positions may only be taken up in exceptional circumstances to temporarily reduce the net long position. In all asset classes, the resulting net position will never be negative. As such, the sub-fund does not pursue a market-neutral strategy. Nevertheless, the sub-fund may use derivatives to hedge currency risk.

The fund aims to maintain an average volatility of 17% with the lowest possible correlation to the equity and bond markets based on a scientifically proven risk management system.

For hedging purposes and to increase the performance of the sub-fund's net assets, the sub-fund may make use of both exchange-traded and over-the-counter (OTC) derivatives, such as futures, options and swaps, within the limits set by Article 4 of the Fund Management Regulations. These derivatives may be purchased if the underlying assets are securities, money market instruments, financial indices, interest rates, exchange rates, currencies or other assets that the sub-fund may acquire. Derivatives are used in an attempt to take advantage of the fluctuations in the relevant markets to maximise returns. For hedging purposes and to increase the performance of the sub-fund's net assets, the sub-fund may enter into transactions in futures contracts.

The sub-fund may invest up to 10% of its net assets in units or shares in UCITS or other UCIs, including open exchange traded funds (ETFs). The Management Company will not enter into any securities lending or repurchase agreements involving the sub-fund assets.

Precise information on the investment limits is contained in Article 4 of the Fund Management Regulations.

**Past performance does not guarantee future performance. No assurances can be given that investment targets will be achieved.**

### **Risk Profile of the Sub-Fund**

Given the circumstances and risks outlined above and with due regard for the defensive, target average volatility of 17%, the opportunities and risks of the sub-fund can be categorised as moderate to high compared with other fund types. In the most common five-category risk classifications, this corresponds to Class 4 (offensive balanced fund).

Given the orientation of the sub-fund, it is exposed in particular to the following risks: general market risk, country/region-specific risk, creditworthiness risk, liquidity risk, country and transfer risk, custodial risk, concentration risk, counterparty risk, default risk and currency risk. Details of other risks can be found in the chapter "Notes on Risks" in the prospectus.

Among other considerations, it should be stressed that declines in prices, particularly where they affect the overall market, and possibly even significantly more persistent declines, can have a negative impact on the sub-fund's assets.

Unlike conventional securities, positive or negative movements in the value of the respective sub-fund can be considerably more significant due to the accompanying leveraging.

Financial futures which are used for purposes other than hedging are also associated with significant opportunities and risks, as only a fraction of the contract value (the “margin”) must be paid immediately.

Further details on derivatives as well as techniques and instruments can be found in the “Notes on Derivatives” chapter of the prospectus.

Total return swap transactions and other derivatives with similar characteristics can be completed and invested in financial indices for the sub-fund.

### **Risk Profile for the Typical Investor**

The sub-fund is directed at investors who wish to fully participate in economic developments on global stock, bond, currency and interest rate markets and who, by investing in this sub-fund and accepting the target average volatility of 17%, aim to profit from long-term earnings prospects.

In this case, the investor should be aware of the specific risks that arise through the use of selected financial market instruments, as well as the leverage of the fund as described below.

The investment period should ideally be at least five years.

### **Risk Management and Expected Leverage**

Market risk calculation: Absolute value-at-risk approach

The investment strategy of the AC - Risk Parity 17 Fund (the “fund”) takes the various volatilities of different asset classes into account. Low-risk asset classes are weighted higher than asset classes with a higher risk.

The strategy of the fund is implemented taking into account the volatilities and correlations of the asset classes. A target volatility of 17 per cent is firstly drawn up for the Fund. The risk budget is then allocated to the respective asset classes in equal units, taking the correlations into account. In general, the asset class correlations result in the net leverage (correlation effects are taken into account) always being smaller than the gross leverage (correlation effects are not taken into account), if there is no perfect positive correlation of all asset classes. As the asset correlation of the AC – Risk Parity 17 Fund is optimised with respect to liquid and non-correlated asset classes, it can be ensured that net leverage is always lower than gross leverage. An efficient risk management system is integrated into the fund’s system.

When implementing this strategy, low-risk asset classes are geared to a higher volatility level with derivatives, whilst high-risk asset classes are weighted less.

Risk and return aspects are integral in the selection of asset classes. The equity, bond, commodities and interest rate asset classes are currently used. These are asset classes with an appropriately high compensation for the risk incurred (positive risk premium) and

with highly liquid derivatives (future contracts).

Taking the interest rate asset class as an example, this in practice means that, in direct comparison to the other asset classes, the risk per currency unit is significantly lower, resulting in correspondingly significantly lower expected returns. In order to establish an equal weighting of risk between interest rates and the other 3 asset classes, the percentage of the interest rate asset class must be correspondingly increased through the use of derivatives. In this regard, the relatively lower expected return of the interest rate asset class is also indirectly raised. Assuming that investments have similar long-term Sharpe Ratios, by equally weighting the risk of the asset classes across the entire portfolio, a long-term equal distribution of expected returns on asset classes can be expected. The various asset classes are distributed on the basis of their risk contribution to the portfolio as a whole while adhering to the given risk budget and risk limits. If the fund assets were equally distributed to various asset classes without taking their risks into account, some asset classes, such as commodities for example, would contribute significantly more risk to the portfolio as a whole than other asset classes.

Achieving an equal weighting of risk between various asset classes is the ultimate directive of the fund. The use of interest rate futures is required for this reason to ensure a balanced risk weighting with other asset classes. The volatilities of interest rate futures contribute fractionally compared to other asset classes. To ensure an equally weighted risk allocation between interest rate futures and other asset classes, the expected gross leverage (before netting and hedging) is approx. 10-13 times the fund volume in the fund with respect to exposures to interest rate futures. In combination with the other asset classes, an expected gross leverage of a total of 14- 18 times the fund volume arises in the fund.

However, the reporting of a leverage of this amount for the fund exaggerates the risk several times over, as the correlations between the asset classes are not taken into account and the low volatility of the underlying asset class is not included in the key leverage figure either. Other key risk figures that are based on the actual historical performance of the fund clarify this issue. For example, in recent years, the volatility of two similar sub-funds, AC – Risk Parity 7 Fund and AC – Risk Parity 12 Fund, was below the desired target volatility; examples from the past (2008, summer 2011) also show that a supposedly high leverage nevertheless led to a low and predictable level of risk.

The term leverage – according to CSSF circular 11/512 – is to be understood as the sum of the face values of the derivative financial instruments held by a sub-fund. For derivatives that do not have a nominal value, UCITS must be based on the market value of the equivalent position of the underlying assets. In this context, a leverage of 0 is to be considered an unleveraged portfolio.

Based on the calculation method of the leverage, the stated leverage may lead to conservative results, because derivatives which are used for risk reduction purposes will be entered into the calculation with their absolute amount and this may lead to an increased leverage risk being shown. As a result of this, the leverage can be significant (in certain cases) and may not necessarily represent the exact leverage risk that the investor sees himself as facing. The expected leverage is stated in the field above as an absolute value and is based on historical data. The statement of the expected leverage is not a target value, but an expected value that may, as an average estimate, consist of lower and higher leverages. Consequently, the leverage is not an investment restriction and no compensation can be claimed in the event that it is disregarded.

Financial futures contracts that are used for purposes other than hedging are also associated with significant opportunities and risks as only a fraction of the actual contract value (the "margin") must be paid, resulting in the degree of leverage shown. Furthermore, higher volatility arises from this leverage. Price fluctuations have a significant influence on the gains and losses of the sub-fund. The risks and volatility of the sub-fund could rise accordingly.

## AC – Risk Parity 17 Fund: Overview of Unit Classes

Unit Classes	WKN	ISIN	Initial Issue Price	Initial Unit Value	Currency	Minimum Initial Investment*	Initial Subscription Period	Valuation Date	Profit Application
EUR A	A1JT8B	LU0748083010	EUR 105	EUR 100	EUR	EUR 500,000	16.07.2012 - 27.07.2012	01.08.2012	accumulating
EUR B	A1JT8C	LU0748083101	EUR 105	EUR 100	EUR	EUR 100,000	16.07.2012 - 27.07.2012	01.08.2012	accumulating
EUR X	A1JT8F	LU0748083796	EUR 105	EUR 100	EUR	EUR 10,000,000	16.07.2012 - 27.07.2012	01.08.2012	accumulating
GBP A <sup>h</sup>	A1JT8G	LU0748083952	GBP 105	GBP 100	GBP	GBP 100,000	16.07.2012 - 27.07.2012	01.08.2012	accumulating

Currency hedging: Unit classes which are issued in a currency other than that of the sub-fund currency are marked with an (h) and can be hedged against currency fluctuations.

EUR-X units: These units are reserved for investors who have stipulated a special remuneration agreement with an entity of the Aquila Group or who are in a direct employee relationship with the latter. This is audited by the Management Company before the processing of the subscription request.

\*: These amounts must be met by the investor upon initial purchase of units in the AC – Risk Parity 17 Fund, though this does not apply for subsequent investments. It is at the Management Company's discretion to accept minimum initial investment sums ranging from 100,000 and the amount specified. However, in no case may a minimum initial investment sum amount to less than 100,000.

Valuation day of the sub-fund:	Every banking day in Luxembourg with the exception of the 24th and 31st December of each year
Front-end load (as % of the unit value):	Max. 5%
Payment of issue and redemption price:	Within three banking days
Fund currency:	euros (EUR)
Sub-fund currency:	euros (EUR)
Certification of the unit certificates:	Registered units, unit register
Denomination:	Up to four decimal places
End of financial year:	31 December
End of the first financial year:	31 December 2012
Reports:	First unaudited semi-annual report 30 June 2013 First audited statement of accounts 31 December 2012
Fund/sub-fund launched:	16 July 2012
Fund Management Regulations – last publication of the notification of filing in the <i>Mémorial C</i> :	31 July 2015

## **Costs refunded from the sub-fund's assets**

### **1. Management Company Fees**

The Management Company receives a fee of up to 0.37% p.a. for managing the sub-fund, based on the average daily net assets of the sub-fund. In addition, a fixed monthly Management Company fee of up to EUR 2,500.00 per unit class is also charged. These fees are paid monthly in arrears and are subject to VAT, where applicable.

For the ongoing administration of the fund, which includes the central administration tasks, the Management Company receives a fee of up to 0.228% p.a., based on the average daily net assets of the sub-fund. This fee is payable monthly in arrears. The administrative fee includes the compensation of the central administration agent for the assumption of its activities.

In addition to this fixed administration fee, the Management Company also receives a quarterly performance fee of up to 15% of the increase in assets.

The increase in assets is determined on the basis of the unit price performance, the net assets of the sub-fund underlying this performance and takes into account a historical high point during the previous calculation period ("high water mark"). The calculation period is one quarter. The performance fee is calculated and accrued on each valuation day, provided that the unit price exceeds the high water mark.

These fees are subject to VAT, where applicable.

### **2. Portfolio Management Fee**

For portfolio management, the Management Company receives a fee of up to a total of 1.60% p.a. based on the average daily net assets of the sub-fund. This fee is payable monthly in arrears.

The Management Company uses a proven risk management system to help with investment decisions. The use of this risk management system is subject to a license fee, which is deducted from the portfolio management fee.

These fees are subject to VAT, where applicable.

### **3. Custodian Fees**

As consideration for the fulfilment of its responsibilities under the Custodian agreement, the Custodian receives a fee of up to 0.02% p.a. based on the average daily net assets of the sub-fund, including transaction costs. This fee is subject to an annual minimum of EUR 20,000 and is paid out monthly in arrears. This fee is subject to VAT, if applicable.

#### **4. Registrar and Transfer Agent Fees**

For the performance of their duties, the registrar and transfer agent receives a fee of EUR 100 per registered account and transaction costs in the amount of EUR 15 per transaction. Additionally, the sub-fund assets also bear any other expenses and costs arising from the booking process, transactions or other activities of the Registrar and Transfer Agent that are necessary for the sub-fund. More information on these charges is available on request from the Management Company of the fund or in the Registrar and Transfer Agent Agreement. These fees are paid monthly in arrears and are subject to VAT, where applicable.

#### **5. Distributor Fee**

For unit classes EUR B and EUR D, the distributor receives annual compensation from the net sub-fund assets for the performance of their duties of up to 0.80% p.a. of the net sub-fund assets. This fee is based on the average daily net assets of the sub-fund. This above-mentioned fee is paid out monthly in arrears and is subject to VAT, if applicable.

For all other unit classes there is currently no distributor fee.

#### **6. Other Costs**

In addition, the costs detailed in Article 11 of the Fund Management Regulations may also be charged against the sub-fund assets.

##### **Costs borne by investors**

Front-end load: (paid to the distributor)	max. 5%
Redemption fee:	none
Conversion fee:	none

##### **Appropriation of income**

Income from the unit classes EUR C and EUR D are distributed. The income is distributed in intervals determined from time to time by the Management Company. Generally, distribution shall take place at the end of the fund's financial year.

The income from all other unit classes is accumulated.

## Appendix 4

### Special Features of Total Return Swap Transactions and other Derivatives with Similar Characteristics

#### *Strategy and composition of the investment portfolio or indices*

The Management Company may enter into swap transactions, in particular interest rate swaps.

In addition, the Management Company invests in financial indices, which include separate components whose effects on the total returns of the index do not exceed the significant requirements for diversification, i.e. 20% / 35%; in the event of a leveraged index, the same limits shall be applied to the effects of a component on the total return of the index, taking into account the leverage.

The indices meet the index criteria in accordance with Article 44 of the Law of 17 December 2010 and Article 9 of the Eligible Assets Directive, including inter alia, that the index represents an adequate reference basis for the market to which it refers:

- a) an index has a single clear goal of portraying an adequate reference basis for the market;
- b) the selection of the index components and the principles on which these components are selected for the strategy are clearly identifiable for investors and the relevant authorities;
- c) in cases where the index strategy is partially based on cash management, this does not have an effect on the objectivity of the method used for index calculation.

The Management Company will only invest in financial indices,

- in which the adjustment frequency can be reproduced by investors;
- which publish information about their composition and their respective weighting. This information must be available free of charge and be easy to access, e.g. online;
- whose method for the selection and adjustment of the composition of the components is based on a series of predetermined rules and objective criteria;
- in which the complete calculations method with which investors can, inter alia, reproduce the financial index, is published by the index provider;
- whose method does not permit any retroactive changes to published index values (backfilling) and whose valuation is carried out independently.

If other or additional total return swap transactions and other derivatives with similar characteristics have been concluded, an appropriate description regarding the underlying strategy and composition of the investment portfolio or index will be published on Alceda's website.

#### *Effect on costs*

The index strategy does not include any costs that arise from the adjustment frequency of the index composition. Counterparty to total return swaps.

The counterparties to total return swaps of the sub-fund are institutions that are subject to regulatory supervision and which belong to the categories of institutions that are officially approved to make this type of transaction on behalf of funds. They will be mentioned by name in the annual report of the fund.

*Counterparty risk and effect on investors' income*

For Counterparty risk see above under the heading "Notes on Risks", "Counterparty Risk". Counterparty risk will only affect investors' income if it realised.

Counterparty risk in total return swap transactions cannot exceed the following limits:

- 10% of the net sub-fund assets, if the counterparty is a credit institute within the meaning of Article 41, Paragraph 1 (f) of the Law of 17 December 2010, and
- 5% of the net sub-fund assets in all other cases.

If the Management Company has invested more than 5% of the net sub-fund assets in securities and money market instruments from an issuer, the limit of 40% of the affected net sub-fund assets shall not apply to total return swaps that were conducted with financial institutions that are subject to supervision.

*Influence of the counterparty*

The counterparty to total return swaps has no influence on the composition or management of the investment portfolio of the sub-fund. However, the counterparty can influence the underlyings of derivatives, e.g. in its role as an index sponsor. However, this is always in compliance with the information barriers. See also the section entitled "Special Risk Factors". In addition, counterparties must not agree to transactions related to the sub-fund assets.

Valuation deduction (haircut) for collateral for OTC derivatives	Type of security	Valuation approach
	Cash in the sub-fund currency	100%

Detailed information about the indices used is available in a separate document on the [alceda.lu](http://alceda.lu) website.

## Fund Management Regulations

The contractual rights and obligations of the Management Company, the Custodian and the investors with respect to the fund are governed by the Management Regulations set out in below. The Fund Management Regulations came into force on 19 October 2007. A reference to its entry in the Luxembourg Trade and Companies Register, was published in “*Mémorial, Recueil des Sociétés et Associations*”, the official gazette of the Grand Duchy of Luxembourg (“*Mémorial*”), on 15 November 2007. A final amendment to the Fund Management Regulations came into force on 8 July 2015, and notification of its entry in the Luxembourg Trade and Companies Register was published on 31 July 2015 in the *Mémorial*.

### Article 1 The Fund

1. The **AC** Fund (“fund”) is a legally dependent investment fund (*fonds commun de placement*) for securities and other assets (“fund assets”) administered for the joint account of unitholders (“investors”) and taking into account the principle of the diversification of risk. The fund is made up of one or more sub-funds pursuant to Article 181 of the Law of 17 December 2010 relating to Undertakings for Collective Investment (“Law of December 2010”). The fund results from the total of the sub-funds. Investors participate in the fund by contributing to a sub-fund corresponding to the amount of their units.

2. Contractual rights and obligations of investors, the Management Company and the Custodian are regulated in these Management Regulations, the current version of which, together with any amendments, have been filed with the Luxembourg Trade and Companies Register with notification of the deposit published in the *Mémorial*. By purchasing a unit, the investor recognises the Management Regulations and all approved and published amendments made to it.

3. The Management Company also issues a prospectus (including appendices) in accordance with the regulations of the Grand Duchy of Luxembourg.

4. The net asset value (i.e. the product of all assets, less all fund liabilities) must reach EUR 1,250,000 within six months of the fund being approved. This figure refers to the net asset value of the entire fund resulting from the sum of all net sub-fund assets.

5. The Management Company is entitled to create other sub-funds at any time. In this event, a corresponding appendix shall be added to the prospectus. Sub-funds may be established for an indefinite period.

6. Each sub-fund is considered a separate fund in the relationship between the investors among themselves. The rights and obligations of the investors in a sub-fund are separated from the rights and obligations of investors in the other sub-funds. As against third parties, the assets of each individual sub-fund are only available to satisfy the obligations which have been entered into by that sub-fund.

7. The calculation of the unit value is carried out separately for each sub-fund, according to the rules set forth in Article 6 of these Management Regulations.

## Article 2 The Management Company

1. The Management Company is **Alceda Fund Management S.A.** (the “Management Company”), a public limited company under the law of the Grand Duchy of Luxembourg. Its registered office is located at 5, Heienhaff, L-1736 Senningerberg, Luxembourg. The Company was founded on 9 January 2007 for an indefinite period of time.

2. The Management Company is represented by its board of directors. The board may entrust one or several of its members and/or employees of the Management Company with the everyday management and other persons with the execution of management functions and/or the daily investment policy.

3. The Management Company manages the fund, independent of the Custodian, in its own name but exclusively in the interest of, and for the joint account of, the investors in compliance with these Fund Management Regulations. Its administrative powers extend to exercising all rights directly or indirectly associated with the fund’s assets or the assets of its sub-funds.

4. The Management Company determines the investment policy of the fund, taking the legal and contractual investment restrictions into consideration. In accordance with provisions listed in these Fund Management Regulations and in the appendix to the prospectus for the respective sub-fund, the Management Company is authorised to invest relevant sub-fund assets and otherwise to conduct all business activities necessary to manage sub-fund assets.

5. The Management Company is obligated to employ a risk management process that enables it to monitor and measure the market risk, liquidity risk and counterparty risk associated with its investment positions and its particular contribution to the investment portfolio’s overall risk profile at any time, as well as all other risks, including operational risks necessary for the fund; furthermore, with regard to OTC derivatives, it must employ a process that enables an accurate and independent assessment of the value of OTC derivatives.

The Management Company ensures that the overall risk exposure related to derivatives does not exceed the relevant sub-fund’s net assets. In calculating this risk, the market value of underlying asset is considered, along with the counterparty default risk, future market fluctuations and the amount of time needed for the liquidation of the positions.

In accordance with these procedures set up for this fund, the Management Company has to be able to regularly inform the Luxembourg supervisory authorities of the nature of the derivatives in the fund, the risks associated with the respective underlying assets, of investment restrictions and the methods applied to measure risks associated with derivative trading.

6. The Management Company is entitled to appoint a fund manager and/or investment advisor while itself retaining responsibility and control, with the costs of the same being either for its own account or charged to the assets of the respective sub-fund.

The management of the fund may only be transferred to a company that holds a permit or approval for asset management; the transfer of the management of the fund must be in accordance with the conditions laid out in the Management Company’s

investment guidelines.

Furthermore, the Management Company may be advised by an investment committee, the composition of which is determined by the Management Company.

7. For the fulfilment of its tasks, the fund manager and/or the investment advisor may, with the prior consent of the Management Company, and under its own responsibility and at its own expense, consult third parties, being individuals or legal entities and consult sub-investment advisors.

### **Article 3 The Custodian**

1. The Custodian for the fund is **The Bank of New York Mellon (Luxembourg) S.A.**, a public limited company under the Law of the Grand Duchy of Luxembourg, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg. It undertakes banking business.

The function of the Custodian is governed by the Law of December 2010, the Custodian agreement, the Fund Management Regulations and this prospectus (including appendices).

2. The Custodian carries out all transactions connected to on-going administration of the fund assets. In carrying out its duties, the Custodian must act independently of the Management Company and exclusively in the interest of the investors. However, the Custodian will follow the instructions of the Management Company unless such instructions are against the law or in breach of the Management Regulations.

3. The Custodian is tasked with the safekeeping of the sub-fund's assets.

a) the Custodian shall safe-keep all securities, other legally permitted assets and liquid funds that form fund assets in segregated accounts or segregated securities accounts to which it only has access when it complies with the provisions of the Custodian agreement, the prospectus (including appendices and the Fund Management Regulations) ("prospectus") and the law.

b) In accordance with Article 17 of the Law of December 2010, the Custodian may commission third parties with the custody of fund assets; this does not affect the liability of the Custodian.

4. Insofar as legally permitted, the Custodian is entitled and obliged to:

a) assert claims of the investors in its own name against the Management Company or against a former Custodian;

b) object to and take action against execution measures by third parties, if a sub-fund's assets are executed against pursuant to a claim, for which the sub-fund's assets are not liable.

The regulation under Letter a) does not exclude the direct assertion of claims by the investors against organs of the Management Company or the Custodian.

5. The Management Company is entitled and obliged to assert claims in its own name

against the Custodian. This does not exclude the possibility of investors asserting their own claims against the Custodian directly, should the Management Company not react within three months of receiving written correspondence from one or more investor(s).

6. The Custodian pays the Management Company only the remuneration and expenses set forth in these Management Regulations and the relevant applicable prospectus (including appendices) from the segregated accounts or the segregated portfolios of the sub-fund in question.

The Custodian has a claim for remuneration assigned to it in accordance with these Fund Management Regulations, the relevant prospectus (including appendices) and the Custodian agreement and withdraws this from the segregated accounts for the respective sub-funds only following approval by the Management Company.

Furthermore, the Custodian shall ensure that third-party costs are only charged to sub-fund assets in accordance with the Fund Management Regulations, the prospectus (including appendices) and the Custodian agreement.

#### **Article 4 General Provisions of the Investment Policy**

The aim of the investment policy for the individual sub-fund is to secure reasonable performance in the respective sub-fund currency (as defined in Article 6, No. 2 of these Fund Management Regulations in combination with the relevant appendix to the prospectus). Investment policies for specific sub-funds are described in the relevant appendix to the prospectus.

Only assets, the prices of which correspond to the valuation criteria of Article 6 of these Management Regulations, may be purchased and sold for each sub-fund.

General investment principles and restrictions apply to all sub-funds, unless variations or amendments are provided for in the relevant appendix to the prospectus for the respective sub-fund.

Relevant sub-fund assets are invested in compliance with the principles of the spread of risk within the meaning of rules provided for in Part I of the Law of December 2010 and in accordance with, investment principles described below and within the investment restrictions.

##### 1. Definitions:

###### a) Regulated market

A regulated market is a market for financial instruments within the meaning of Article 4, No. 14 of Directive 2004/39/EC of the European Parliament and of the Council, dated 21 April 2004 concerning the market for financial instruments, as amendment to Directive 85/611/EEC and 93/6/EEC of the Council and Directive 2000/12/EC of the European Parliament and the Council, and the repeal of Directive 93/22/EEC.

b) Securities

ba) Securities include:

- units and other equity-related securities (“units”);
- debt securities and other securitised debt titles (“debt securities”);
- any other marketable securities that carry the right of acquisition through subscription or exchange. The techniques and instruments specified in Article 42 of the Law of December 2010 are exempt from this.

bb) The concept of securities also comprises option warrants on securities if these option warrants are registered for official trading or are traded on other regulated markets and if the underlying value of this security is actually delivered when the option is exercised.

c) Money Market Instruments.

The term “Money market instruments” describes instruments that are normally traded on the money market, that are liquid and whose value can be precisely determined at any time.

d) Undertakings for collective investment in transferable securities (“UCITS”)

In UCITS that are made up of several sub-funds, each sub-fund shall be regarded as an individual UCITS for the purposes of applying investment restrictions.

2. Exclusively, the fund

a) acquires securities and money market instruments that are registered or traded on a regulated market;

b) acquires securities and money market instruments that are traded on another regulated market in a European Union member state (“member state”), which is recognised, open to the public and which functions according to an accepted set of rules;

c) securities and money market instruments which are officially listed on a stock exchange or another regulated market in a third-party state, which is recognised, open to the public and functions in accordance with established rules;

d) new issues of securities and money market instruments, provided that the terms of issue include an obligation that an application will be made for admission to official listing on a stock exchange or on another regulated market, which is recognised, open to the public and functions in accordance with established rules, and that such admission is obtained within a year of issuance;

Securities and money market instruments mentioned under No. 2 c) and d) above shall be officially listed or traded within North America, South America, Australia (including Oceania), Africa, Asia and/or Europe.

e) units acquired in undertakings for collective investment in transferable securities (“UCITS”) that have been approved in accordance with Directive 2009/65/EC and/or other undertakings for collective investment (“UCI”) within the meaning of the first and second indent of Article 1, Paragraph 2 of Directive 2009/65/EC, irrespective of whether they are located in a Member State or a non-EU country, provided

- these UCI are registered according to legal regulations that are subject to supervision, which in the opinion of the Luxembourg supervisory authorities are equivalent to those under EU law and which provide sufficient guarantees for collaboration between the relevant authorities (currently the United States of America, Canada, Switzerland, Hong Kong, Japan, Norway and Liechtenstein);
- the level of protection for investors in these UCIs is equivalent to that provided for investors in a UCITS and in particular that the rules on segregated asset custody, borrowing, lending and short sales of securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC;
- the business activities of the UCI is reported in semi-annual and annual reports, so as to enable judgment to be formed with respect to assets and liabilities, income and transactions over the reporting period;
- the UCITS and other UCI – whose units are to be acquired – are not entitled, either according to their contractual conditions or their articles of association to hold more than 10% of their assets in units of other UCITS or UCI.

f) Operates sight deposits or investments that can be terminated with a maximum term of 12 months for financial institutions, if the relevant financial institution has its registered office in an EU member state, OECD and FATF member state or if the registered office of the financial institution is in a third-party state that is subject to supervisory provisions that in the opinion of the Luxembourg supervisory authority are equivalent to those under EU law;

g) derivative financial instruments (“derivatives”), including equivalent cash-settled instruments, acquired, traded on one of the regulated markets referred to in paragraphs a), b) or c) and/or derivative financial instruments that are not traded on a stock exchange (“OTC derivatives”), provided that

- the fundamental values are instruments as defined by Article 41, Paragraph 1 of the Law of December 2010 or are financial indices, interest rates, exchange rates or currencies in which the fund may invest in accordance with the investment objectives stated in these Management Regulations;
- the counterparties for OTC derivative transactions are subject to the supervision of a first-class institution that is in a category authorised by the Luxembourg supervisory authority and is specialised in this type of transaction;
- the OTC derivatives are subject to reliable and verifiable daily valuation and can, at any time, and on the initiative of the fund, be sold, liquidated or balanced out with a transaction at an appropriate value;

h) acquires money market instruments that are not traded on a regulated market and that fall under the definition of Article 1 of the Law of December 2010 provided the issuer

of these instruments are already subject to regulations governing investment and investor protection, and provided that they are

- issued or guaranteed by a central state, regional or local entity or the central bank of an EU Member State, the European Central Bank or the European Investment Bank, a third-party state or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more member states belong, or
- issued by a company whose securities are traded on the regulated markets described under letters a), b) or c) of this Article, or
- issued or guaranteed by an institution that is subject to supervision that meets the criteria determined in European Community law, or an institution that is subject to, and complies with, supervisory regulations that in the opinion of the Luxembourg supervisory authority are at least as strict as those laid down by European Community law, or
- issued by other issuers that belong to a category authorised by the Luxembourg supervisory authority if regulations for investor protection apply to investments in these instruments that are equivalent to those in the first, second and third items and if the issuer is either a company with share capital of at least EUR 10 million, produces and publishes its annual accounts according to the regulations of Directive 2013/34/EU or a legal entity that within a corporate group covering one or more listed companies is responsible for the financing of this group or is a legal entity that should finance the support of liabilities with securities through the use of a credit line given by a bank.

3. However, up to 10% of the respective net sub-fund assets may be invested in securities and money market instruments other than those mentioned in No. 2 of this Article.

#### 4. Techniques for efficient portfolio management

Given the conditions and restrictions prescribed by the Luxembourg supervisory authorities, the respective net sub-fund assets may use techniques for efficient portfolio management, provided such use is made with the intention of securing more efficient management of the respective sub-fund.

Furthermore, the fund is not entitled to deviate from the investment objectives described in the prospectus and in these Fund Management Regulations when using such techniques for efficient portfolio management.

In particular, techniques for efficient portfolio management include (a) securities and (b) repurchase agreements.

##### a) Securities lending

For all existing and future sub-funds, no use was made of the legal options for securities lending.

##### b) Repurchase agreements

For all existing and future sub-funds, no use was made of the legal options for repurchase agreements.

## 5. Derivatives

Each sub-fund may use derivatives for investment and hedging purposes against currency, interest rate and exchange rate risks and to cover other risks.

The conditions and limits must particularly conform to the provisions of the above No. 2 g), No. 6 and No. 4 of this section. In particular, the provisions on the risk management process for derivatives must be taken into account.

Such transactions include the sale and purchase of call and put options, and the sale and purchase of futures and swap contracts for currency, securities, indices, interest and other authorised financial instruments.

The fund must ensure that the global risk exposure connected to derivatives does not exceed the total net value of its portfolios.

In the calculation of the risk, the market value of the underlying assets, the risk of default, future market fluctuations and the time necessary to liquidate the positions are taken into account. This also applies to the subsequent two paragraphs.

As part of its investment policy and within the legal framework of Article 43, Paragraph 5 of the Law of December 2010, the fund may invest in derivatives to the extent that the total risk of the underlying assets does not exceed the investment restrictions provided by Article 43 of the Law of December 2010. If the fund does invest in index-based derivatives, these investments will not be considered when calculating the investment restrictions of Article 43 of the Law of December 2010.

In the event that a derivative is embedded in a security or in a money market instrument, it has to be reviewed with reference to compliance with the provisions of Article 42 of the Law of December 2010.

## 6. Collateral and Reinvestment of Collateral

In connection with the OTC derivative transactions, the Management Company may receive collateral under the conditions of the strategy laid down in this section to reduce their counterparty risk. The following section defines the strategy for the management of collateral used by the Management Company for the relevant sub-fund.

In principle, collateral received will have the following properties:

- k) Liquidity: all collateral received, which is not cash, is highly liquid and is traded at a transparent price on a regulated market or within a multilateral trading system, in order that it may be sold at short notice at a price which is close to the valuation which was determined before the sale. Furthermore, the received collateral fulfils the provisions of Article 48 of the Law of the 17 December 2010.
- l) Valuation: received collateral are assessed at least on each stock market trading day. Assets, which show high volatility in price, will only be accepted as collateral if suitable conservative haircut strategies are applied.
- m) Creditworthiness of the issuer: the issuer of the collateral which is received has a

high degree of creditworthiness.

- n) Correlation: the collateral received by one of the sub-funds are issued by a legal entity, which is independent from the counterparty and does not strongly correlate to the development of the counterparty.
- o) Diversification of collateral (investment concentration): concerning collateral, attention is paid to maintain an appropriate diversification with reference to countries, markets and issuers. The criteria for appropriate diversification regarding issuer concentration is deemed to be fulfilled if the sub-fund of a counterparty receives a collateral basket during transactions with OTC- derivatives, whose maximum exposure to a certain issuer corresponds to 20% of the net asset value. If a sub-fund involves different counterparties, the different collateral baskets are aggregated, in order to calculate the 20% limit concerning the exposure to a single issuer.
- p) Risks relating to collateral management, e.g. operational and legal risks, are detected, controlled and minimised by the Management Company's risk management.
- q) In cases of a transfer of rights, the received collateral is held in custody by the depositary institution of the sub-fund. For other types of collateral agreements, the collateral may be held in custody by a third party, who is subject to prudential supervision and who is not affiliated with the warrantor.
- r) The Management Company may utilise received collateral at any time without reference to the counterparty or approval by the counterparty.
- s) Received non-cash collateral is not sold, reinvested or pledged.
- t) Received cash collateral is only:
  - invested as a demand deposit with legal entities as laid down in Article 50, Sub-paragraph f of the UCITS Directive;
  - invested in high-quality government bonds;
  - used for reverse repo transactions, provided that the transaction is carried out with credit institutions, which are subject to supervision and provided that the UCITS may at any time reclaim the full amount of money which has accrued;
  - invested in money market funds with a short-term structure as laid down in the definition of the CESR guidelines on a common definition of European money market funds.

Reinvested cash collateral is diversified in accordance with the diversification requirements for non-cash collateral.

#### Haircut strategy

The Management Company applies a clear haircut strategy regarding the sub-funds, which is adapted for all types of assets received as collateral. As a general rule, the Management Company aims at accepting only the market-based collateral haircuts. The applicable collateral haircut for each sub-fund is described in the relevant annex of the prospectus.

## 7. Risk Diversification

a) The sub-fund may invest up to 10% of its net assets in securities or money market instruments issued by a single issuer. The sub-fund may not invest more than 20% of its net assets in deposits issued by a single issuer.

The risk of default concerning transactions of the fund with OTC-Derivatives may not exceed the following levels:

- 10% of the sub-funds' net-assets if the counterparty is a credit institution within the meaning of Article 41, Paragraph 1, Letter f) of the Law of December 2010, and
- 5% of the sub-fund's net assets in all other cases.

b) The total value of the securities and money market instruments of issuers in whom the Management Company has invested more than 5% of the respective sub-fund's net assets may not exceed 40% of the respective sub-fund's net assets. This limitation is not applied to deposits and OTC-Derivative transactions which are carried out with financial institutions which are subject to supervision.

Notwithstanding the individual upper limits stated under a), the Management Company may invest a maximum of 20% of the respective sub-fund's net assets in a single institution in a combination of:

- securities or money market instruments issued by this institution, and/or
- deposits with this institution, and/or
- OTC-Derivatives acquired by this institution.

c) The investment limit of 10% of the sub-fund's net assets mentioned under No. 7, Letter a), Sentence 1 above, may increase to 35% for net sub-fund assets where the securities or money market instruments to be acquired are issued or guaranteed by a Member State, its authorities, a third-party state or other international organisations subject to public law to which one or more Member States belong.

d) The investment limit of 10% of the sub-fund's net assets mentioned under No. 7, Letter a), Sentence 1 above, may increase to 25% for net sub-fund assets if the debenture bonds to be acquired are issued by a bank headquartered in an EU member state that is subject to special public supervision under law, which protects the holder of the debenture bond. In particular, the proceeds from the issuance of debenture bonds must legally be invested in assets that sufficiently cover the liabilities arising throughout the term of the debenture bond and, in the event of default by the issuer in repaying the principal and paying the current interest rate, must be available by means of an overriding security interest.

If more than 5% of the net sub-fund assets are invested in debenture bonds issued by such an issuer, the total value of investments in such debenture bonds may not exceed 80% of the net assets of the relevant sub-fund.

e) The restriction on the total value at 40% of the relevant net sub-fund assets specified in No.

7, Letter b), Sentence 1 of this article, do not apply in cases specified by Letters c) and d).  
f) The investment restrictions of 10%, 35% and 25% of the respective sub-fund's net assets stipulated in 7 a) to d) of this article are not intended to be cumulative, rather a total of only a maximum of 35% of net sub-fund assets in securities and money market instruments may be invested in a single institution or in its capital contributions or derivatives.

Companies belonging to the same group of corporations, with regard to the preparation of consolidated financial statements are to be regarded as a single entity when calculating the investment limits prescribed by No. 7, Letters a) to f) of this article, within the scope of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (register L 182 from 29 June 2013, p. 1), or in accordance with international accounting standards. The sub-fund in question may invest 20% of its net assets in securities and money market instruments issued by a single corporate group.

g) Notwithstanding the investment restrictions set out in Article 48 of the Law of December 2010, the Management Company may invest up to 20% of its net assets in units and debt securities issued by a single institution if the goal of the investment policy for the respective sub-fund is to replicate a unit and debt instrument index recognised by the Luxembourg supervisory authorities. The conditions for this, however, include the following:

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

The investment restrictions mentioned above increase to 35% of the sub-fund's net assets when exceptional market conditions justify it, particularly on regulated markets that are strongly dominated by certain securities or money market instruments. This investment limit is only applicable for investment with a single issuer. Whether or not the Management Company makes use of these options for the respective sub-fund can be found in the relevant appendix to the prospectus.

**h) notwithstanding the details provided in Article 43 of the Law of December 2010, without prejudicing the principle of the spread of risk, up to 100% of the respective sub-fund's net assets can be invested in securities and money market instruments issued or guaranteed by an EU member state, its national authorities, an OECD member state or by international organisations to which one or more member state(s) belong(s). In each case, the securities contained in the respective sub-fund's net assets have to stem from six various issues, whereby the value of the securities stemming from a single issue shall not exceed 30% of the respective sub-fund's net assets.**

i) Not more than 10% of the net assets of a sub-fund are invested in UCITS or in UCIs on behalf of a sub-fund within the meaning of No. 2, Letter e) of this Article, unless the appendix to the prospectus provides otherwise for an individual sub-fund. If the investment policy of an individual sub-fund provides for an investment of more than 10% of the net assets of the sub-fund in UCITS or UCIs within the meaning of No. 2, Letter e) of this Article,

the following letters j) and k) are applicable.

j) Not more than 20% of the respective sub-fund's net assets may be invested in units of a single UCITS or a single UCI in accordance with Article 41, Paragraph 1, Letter e) of the Law of December 2010. Within the meaning of Article 41, Paragraph 1, Letter e) of the Law of December 2010 each sub-fund of an UCITS or UCI, comprising several sub-funds in which assets exclusively guarantee claims of investors in this sub-fund towards creditors, whose receivables have arisen with the founding, the term or the liquidation of the sub-fund, are regarded as independent UCITS or UCIs.

k) Not more than 30% of the respective sub-fund's net assets may be invested in other UCIs. In these cases, investment restrictions pursuant to Article 43 of the Law of December 2010 with respect to assets of UCITS and UCI that can be acquired as units do not have to be complied with.

l) Where a UCITS acquires units in other UCITS and/or other UCIs that are managed directly or as a result of a transfer by the same Management Company or by a company to which the administrator is linked through joint management or control or a significant direct or indirect holding, the Management Company or the other company may not charge fees (including front-end loads and redemption fees) through the UCITS for the subscription or redemption of units in such other UCITS and/or UCIs. Generally, the acquisition of units in target funds may lead to management fees being charged at the target fund level. The fund shall therefore not invest in target funds that are subject to a management fee of more than 3%. The fund's annual report will contain information concerning the individual sub-funds and how high the maximum unit of the management fee is, that the sub-funds and the target funds have to bear.

m) A sub-fund of an umbrella fund may invest in other sub-funds of the same umbrella fund. In addition to the conditions for investments in target funds already mentioned, the following conditions apply to investments in target funds that are simultaneously sub-funds of the same umbrella fund:

- cross-investments are not permitted. This means that the target sub-fund may not invest in the sub-fund of the same umbrella fund that is invested in the target sub-fund.
- the sub-fund of an umbrella fund that is acquired from another sub-fund of the same umbrella fund may invest a maximum total of 10% of its special assets in units of other target sub-funds of the same umbrella fund in accordance with its Fund Management Regulations or articles of association.
- voting rights from holding units in target funds that are simultaneously sub-funds of the same umbrella fund are suspended as long as these units are held by a sub-fund of the same umbrella fund. The regulation does not affect appropriate recording in the accounting records and periodic reports.
- as long as a sub-fund holds units of another sub-fund of the same umbrella fund, the units of the target sub-fund are not taken into account in the calculation of the net asset value if the calculation serves to determine the achievement of the legal minimum capital of the umbrella fund.

- if a sub-fund acquires the units of another sub-fund of the same umbrella fund, the management, subscription or redemption fees may not be doubled for the sub-fund that has invested in the target sub-fund of the same umbrella fund.
- n) Pursuant to Part I of the Law of December 2010, the Management Company is not permitted to use the UCITS it manages to acquire voting rights units that enable it to exercise considerable influence on the management of an issuer.
- o) Furthermore, the Management Company may acquire for the fund:
- up to 10% of non-voting units in a single issuer;
  - up to 10% of debenture bonds issued by a single issuer;
  - not more than 25% of unit issued by a single UCITS and or UCI; and
  - not more than 10% of money market instruments from a single issuer.
- p) The restrictions described in No. 7, Letters n) and o) do not apply insofar as:
- securities and money market instruments are issued or guaranteed by an EU Member State or its regional authorities or by a third-party state;
  - the assets acquired are securities and money market instruments issued by an international body resembling a public corporation to which one or more EU member state(s) belongs;
  - the assets acquired are units held by the respective sub-fund in the capital of a company headquartered in a non-EU member state that invests a major part of its assets in the securities of issuers domiciled in that country and when, as a result of the laws of that country, this form of investment represents the only option for the respective sub-fund to invest in securities from issuers in that country.

This exception only applies if the investment policy of this non-EU based company complies with the restrictions pursuant to Articles 43, 46 and 48, Paragraphs 1 and 2 of the Law of December 2010. Article 49 of the Law of December 2010 applies if the limits named in Articles 43 and 46 of the Law of December 2010 are exceeded.

## 8. Liquid Assets

Part of the sub-fund's net assets may be held as liquid funds provided these are accessory in nature.

## 9. Loans and Prohibition of Encumbrances

a) The respective sub-fund's assets may not be bonded or otherwise encumbered, be transferred or assigned for collateral, unless funds are borrowed within the meaning of Section b) below, or as security relating to the processing of transactions in financial instruments.

b) The respective sub-fund is only entitled to take out loans in the short term and only up to a maximum of 10% of the value of the sub-fund's net assets. The acquisition of foreign

currency through “back-to-back” loans is exempt from this.

c) Neither loans may be granted nor guarantees for third parties be agreed at the expense of the relevant sub-fund where this precludes securities, money market instruments or other financial instruments that have not yet been fully paid in accordance with Article 41, Paragraph 1, Letters e), g) and h) of the Law of December 2010.

#### 10. Other Investment Guidelines

a) Short-selling of securities is not permitted.

b) The assets of a sub-fund may not be invested in real estate, precious metals or certificates on such precious metals, precious metals contracts, commodities or commodity contracts.

c) No obligations can be entered into for the respective sub-fund that exceed, together with loans pursuant to Article 9 b), 10% of the relevant sub-fund's net assets.

10. The investment restrictions laid down in this Article refer to the time of acquisition of the securities. If the percentages are subsequently exceeded due to price developments or for reasons other than additional purchases, the Management Company will immediately seek to return to the prescribed levels, taking the investors' interests into consideration.

### **Article 5 Units**

1. Units are units in the individual sub-funds. Only registered units of the fund are issued. Registered units are entered in the register of unitholders which is administered by the Registrar and Transfer Agent. In this context, confirmation concerning the entry in the register of unitholders is sent to the address stated in the register of unitholders. No entitlement exists to receive delivery of physical units.

2. All units in a sub-fund enjoy the same fundamental rights, unless the administrator decides to issue different classes of units within a sub-fund in accordance with No. 3 of this Article.

3. From time to time, the Management Company can decide to designate two or more unit classes. The unit classes may differ in their features and in the rights related to the use of their earnings, in their fee structure or in other specific features and rights.

All units participate equally in the earnings, price gains, and in the proceeds of liquidation of their relevant unit class from the day of their issuance. If unit classes have been established for the respective sub-fund, these are detailed in the relevant appendix to the prospectus, together with details of their specific characteristics and rights.

### **Article 6 Calculation of Unit Values**

1. The net asset value of the fund is given in euros (EUR) (“reference currency”).

2. The value of a unit (“unit value”) is given in the currency indicated in the respective appendix to the prospectus (“sub-fund currency”) unless an alternative currency is indicated for any other unit classes in the respective appendix to the prospectus (“unit class currency”).

3. The unit value is determined by the Management Company or one of their agents under the supervision of the Custodian for each named valuation day (“**valuation day**”) relating to the relevant sub-fund, if the banks in Luxembourg are open on these days for daily business transactions, except for the 24<sup>th</sup> and the 31<sup>st</sup> of December (“**banking day**”). The calculation of the unit value for any given valuation day takes place on the following banking day (“**calculation day**”).

However, the Management Company can decide to calculate the unit value for 24 and 31 December of a year, without the calculation representing the unit value on a valuation day within the meaning of Sentence 1 of Number 3 of this Article. Thus, the investors may not request an issuance, redemption and/or conversion of unit on the basis of a unit value which is calculated on 24 December and/or 31 December of that year.

4. The unit value is calculated for each valuation day based on the value of the assets of the respective sub-fund, minus the obligations of the sub-fund (“net sub-fund assets”) and divided by the number of units in circulation on the valuation day. This figure is rounded up to two decimal places.

5. If information has to be provided on the overall situation of fund assets - either in annual and semi-annual reports and other financial statistics pursuant to legal regulations or in accordance with the Fund Management Regulations - assets for the respective sub-fund are converted to the reference currency. The respective sub-fund’s net assets are calculated in accordance with the following principles:

a) securities and money market instruments that are officially listed on a stock exchange are valued at the most recently available price on the valuation day. If a security is listed on several stock exchanges, the last available closing price on the valuation day for the stock exchange which is normally the principal market for the security is decisive.

b) securities and money market instruments that are not officially listed on a stock market but are traded on a regulated market are valued at a rate that may not be below the bid quotation and not above the asked quotation at the time of the valuation and which the Management Company maintains to be the best possible rate the security can be sold for.

c) The value of futures or options traded on stock exchanges or other regulated markets is calculated on the basis of the most recently available prices on the valuation day for such contracts on the stock exchanges or regulated markets on which these futures or options are traded by the respective fund. If a future or an option cannot be liquidated on a day for which the net asset value is determined, the basis of valuation for such a contract shall be determined in a suitable and fair manner by the Board of Directors.

d) the value of futures or options not traded on stock exchanges or other regulated markets (OTC derivatives), corresponds to the respective net liquidation value on the valuation day, as determined on the basis applied consistently for all types of contracts in accordance with the Management Company’s guidelines. Swaps are valued at their market value. In the case of interest swaps, with reference to the underlying interest trend.

e) UCITS and UCI are valued at the most recently determined and available redemption price on the relevant valuation date. If redemption is not available for investment units or a redemption price has not been specified, these units are valued in the same way as all other

assets at the relevant market value, as determined by the Management Company in good faith using generally accepted valuation rules that can be verified by auditors.

f) if the respective prices are not in line with market conditions and if no prices can be determined for securities other than those named in a) and b) above, these securities shall be valued at their respective market value – as with all other legally registered assets – as determined in good faith by the Management Company on the basis of their reasonably foreseeable sales prices.

g) liquid funds are valued at their face value, plus interest.

h) the market value of securities and other investments quoted in currencies other than the respective sub-fund currency is converted to the corresponding sub-fund currency based on the last available middle market price. Gains and losses arising from foreign exchange transactions are added or deducted as applicable.

The net assets of the respective sub-fund are reduced by dividends, paid where applicable to the investor in the relevant sub-fund.

6. The calculation of the unit value is carried out separately for each sub-fund according to the criteria laid down above. However, insofar as unit classes have been established within a sub-fund, the calculation of the unit value within the relevant sub-fund which results thereof is carried out separately for each unit class according to the criteria laid down above. Assets are always compiled and allocated for each sub-fund.

## **Article 7 Suspending the Calculation of Unit Values**

1. The Management Company may temporarily suspend the calculation of the unit value if, and as long as, circumstances make this necessary and if the suspension is justified in the interest of the investors. This particularly applies if

a) a stock market or other regulated market on which a substantial proportion of the assets are listed or traded is closed for public or bank holidays, or when dealings therein are restricted or suspended;

b) the calculation of fund units in which the respective sub-fund assets have been invested has been suspended and no current valuation of the fund units is available;

c) in emergency situations the Management Company cannot access sub-fund investments, or it is not possible to transfer the equivalent of investment purchases or sales freely or to calculate the unit value duly and properly.

2. Investors and/or applicants who have submitted an application for the subscription, redemption or conversion of units will be immediately informed of the suspension of the unit value calculation and informed of the unit value on resumption without delay.

3. In the event of a suspension of the calculation of the unit value, subscription, redemption and exchange requests may be revoked by the investor until the time of publication of the resumption of the unit value calculation.

## Article 8 Issuing Units

1. Units are issued on each valuation day at the issue price. The issue price is the unit value as defined in Article 6, No. 4 of these Fund Management Regulations plus a front-end load whose recipient and maximum amount are detailed for the respective sub-fund in the relevant appendix to the prospectus. The issue price may increase due to fees or other charges which may be incurred in the countries of distribution.

2. Subscription applications for the purchase of registered units may be submitted to the Management Company, the Registrar and Transfer Agent, a distributor and the paying agents. The office receiving the application is obliged to forward subscription applications to the Registrar and Transfer Agent without delay. The date and time of receipt at the registrar and transfer agent is definitive. These accept subscription applications on behalf of the Management Company.

Complete subscription applications received by the Registrar and Transfer Agent by 3 pm (CET) on a bank working day prior to a valuation day ("order acceptance deadline") will be settled on the basis of the value of the unit on the next valuation day.

Complete subscription applications received by the Registrar and Transfer Agent after the order acceptance deadline will be settled on the basis of the value of the unit on the second subsequent valuation day.

The Management Company in every case ensures that the issue of units is settled on the basis of a unit value, which was previously unknown to the investor. If there is still a suspicion that an investor is engaging in late trading, the Management Company may refuse acceptance of the subscription request until the requester has removed all doubt relating to his subscription request.

If the counter value of the subscribed units is not available at the time of the receipt of the complete subscription request by the Registrar and Transfer Agent or the subscription request is defective or incomplete, the subscription request is considered to have been received by the Registrar and Transfer Agent on the date on which the counter value of the subscribed units or the proper subscription request is available.

Payment of the issue price shall be made to the Custodian in Luxembourg in the fund currency within three banking days after the valuation day.

If the counter value from the fund's assets falls, in particular on the basis of a revocation, non-completion of a standing order or for other reasons, the Management Company takes back the relevant units in the interest of the fund. Any differences with negative effects on the fund's assets resulting from the redemption of the units are to be borne by the applicant. Revocations made under consumer protection law are excluded from this regulation.

## Article 9 Limitation and Suspension of Issuing Units

1. The Management Company is entitled, at its own discretion and without providing reasons, to reject a subscription application or temporarily restrict, defer or finally suspend the issue of units or to buy back units against payment of a redemption price at any time, if this appears necessary in the interest of the investors, of the public or to protect the fund and/or the respective sub-fund, in particular if:

- a) it is suspected that the individual unitholder is involved in market timing, late trading or other market techniques in the acquisition of the units that could be to the detriment of all investors,
- b) investors do not meet the requirements for acquiring the units, or
- c) the units are sold in a country or acquired by a person in a country in which the fund is not permitted to be sold or acquired by such persons.

2. In this case, the Registrar and Transfer Agent will immediately refund without interest payments received on subscription requests which have not already been processed.

### **Article 10 Redemption and Conversion of Fund Units**

1. Investors are entitled to request the redemption of units at unit value at any time in accordance with Article 6, No. 4 of these Fund Management Regulations, where applicable with the deduction of a redemption fee ("redemption price"). This redemption is only effected on a valuation day. If a redemption fee is levied, the maximum amount applicable for each sub-fund is stipulated in the relevant appendix to this prospectus. The redemption price is reduced in certain countries to pay taxes and other charges which are incurred there. Upon payment of the redemption price, the corresponding unit expires.

2. The payment of the redemption price and other payments, if any, to the investors are carried out via the Custodian and via the paying agents. The Custodian is only obliged to make the payment if legal requirements, for example foreign currency regulations, or other circumstances which cannot be influenced by the Custodian, do not prohibit the transfer of the redemption price to the country of the applicant.

The Management Company may unilaterally repurchase units against payment of the redemption price, if this is deemed to be necessary in the interest of the investors as a whole or for the protection of the investors or of a sub-fund.

3. Units or parts thereof can be converted to units of another sub-fund based on the reference unit value of the relevant sub-fund in accordance with Article 6 No. 4 of these Fund Management Regulations. This may be subject to a conversion fee in favour of the recipient and in the amount specified in the appendix to the respective sub-fund, but at least an amount representing the difference between the front-end load of the sub-fund exchanged and the front-end load of the acquired sub-fund. If no conversion fee is levied, this is mentioned in the relevant appendix to the prospectus for the respective sub-fund.

A conversion of units in another sub-fund or in another unit class is only possible if the investor has fulfilled the conditions for the direct acquisition of units in the respective fund or unit class.

If different unit classes within a sub-fund are offered, units are converted from one class to another unless otherwise provided for in the relevant appendix to the prospectus, providing that the investor has fulfilled the conditions for direct investment in this unit class. No conversion fee is levied under these circumstances.

The Management Company may reject an exchange request for a sub-fund, if it is deemed to be in the interest of the fund or sub-fund or in the interest of the investors.

4. Complete redemption or complete exchange applications for registered units may be submitted to the Management Company, the Registrar and Transfer Agent, a distributor or the paying agent. These recipients are obliged to immediately transfer the redemption requests or the exchange requests to the registrar and transfer agents. The date and time of receipt at the registrar and transfer agent is definitive.

A redemption request or an exchange request for the redemption or the conversion of units in registered form is only complete if it states the name and the address of the investor and the number or the equivalent value of the units to be redeemed or converted and the name of the sub-fund and as soon as it is signed by the investor concerned.

Complete redemption and complete exchange applications received by the Registrar and Transfer Agent prior to the order acceptance deadline are settled at the unit value on the subsequent valuation day, less any redemption or conversion fee.

Complete redemption and complete exchange applications received by the Registrar and Transfer Agent after the order acceptance deadline are settled at the unit value on the second subsequent valuation day, less any redemption or conversion fee.

The Management Company in every case ensures that the redemption or exchange of units is calculated on the basis of a unit value previously unknown to the investor.

Redemption applications and exchange applications are only deemed received when they are received by the Registrar and Transfer Agent.

The redemption price shall be paid within three banking days of the appropriate valuation day in the sub-fund currency or, in the case of several unit classes, in the respective unit class currency. In the case of registered units, payment is made to an account indicated by the investor.

5. The Management Company is entitled to temporarily suspend the redemption or the conversion of units due to a suspension of the calculation of the unit value.

6. With the prior approval of the Custodian Bank and while safeguarding the interests of the shareholders, the Management Company is entitled not to fulfil high volumes of redemption requests until corresponding assets of the fund have been sold without delay. In this case, the redemption is effected at the redemption price applicable at that time. This is correspondingly applicable to requests for the exchange of units. However, the Management Company ensures that sufficient liquid assets are at the disposal each sub-fund, so that under normal circumstances a redemption or exchange of units upon request of investors may be effected immediately.

## **Article 11 Costs**

Each sub-fund bears the following costs if they arise in connection with its assets:

1. For the daily management of the relevant sub-fund, the Management Company receives compensation from the respective sub-fund assets at a maximum of 0.40% p.a. of the net sub-fund assets. The amount, calculation and payment information are listed for the relevant sub-fund in the relevant appendix to this prospectus.

If the Management Company is entitled to any trailer fees in connection with the investment of the fund's assets in target funds, these fees are generally added to the fund's assets as other income. However, pursuant to Article 11, No. 8 a) of these Fund Management Regulations, such trailer fees may be subject to processing charges in an amount equivalent to 30 basis points of the invested fund volume, particularly for the creation, invoicing, settlement and on-going administration of such trailer fees, which accordingly reduces the unit of trailer fees accruing for the benefit of the fund.

For the day-to-day administration of the relevant sub-fund, including performing central administrative tasks, the Management Company receives administrative compensation, the amount of which, its calculation and manner of payment are listed in the respective appendix to the prospectus.

In addition, a Performance Fee may be paid to the Management Company from the assets of the relevant sub-fund, in accordance with the terms of the prospectus.

These fees are subject to VAT, where applicable.

2. Any investment advisor shall receive remuneration either from the Management Company fee or out of the assets of the relevant sub-fund. If such remuneration is taken from the assets of the relevant sub-fund, its amount, calculation and payment are stipulated for the relevant sub-fund in the appendix to the prospectus. These fees are subject to VAT, where applicable.

3. Any fund manager shall receive remuneration either from the Management Company fee or out of the assets of the relevant sub-fund. If such remuneration is taken from the assets of the relevant sub-fund, its amount, calculation and payment are stipulated for the relevant sub-fund in the appendix to the prospectus. These fees are subject to VAT, where applicable.

In addition, a performance fee can be paid to the Management Company and/or any investment advisor and/or any fund manager from the assets of the relevant sub-fund, pursuant to the terms of the prospectus. These fees are subject to VAT, where applicable.

4. As consideration for the fulfilment of its responsibilities under the custodian agreement, the custodian shall receive a fee customary for the banking industry in the Grand Duchy of Luxembourg. The amount, calculation, and payment of this fee is set forth in the appendix to the prospectus. These fees are subject to VAT, where applicable.

5. For the performance of their duties, the Registrar and Transfer Agent receives a customary Registrar and Transfer Agent fee. The amount, calculation, and payment of the Registrar and Transfer Agent fee is detailed in the relevant appendix to the prospectus. These fees are subject to VAT, where applicable.

6. The distributor(s) can receive a fee from the respective sub-fund assets. The precise fee, its calculation and the manner of payment is detailed in the relevant appendix to the prospectus for the respective sub-fund. These fees are subject to VAT, where applicable.

7. In addition to the costs described above, the following costs are borne by the respective sub-funds and unit classes if they arise in connection with its assets:

- a) costs incurred in the acquisition, custody and sale of assets, in particular costs which result from the implementation of a specific (partial) strategy through the integration of specific market data, including (system-supported) trading signals, as well as costs for standard banking charges for transactions in securities and other assets and the rights of the fund and/or sub-fund and their custody, the standard banking charges for the custody of international investment units abroad;
- b) all external management and custodial fees charged by other corresponding banks and clearing facilities (e.g. Clearstream Banking S.A.) for the assets of the respective sub-fund, and all external processing, postage and insurance expenses incurred in connection with the securities of the respective sub-fund in fund units;
- c) transaction costs incurred in issuing and redeeming units;
- d) furthermore, the Custodian, the Central Administration Agent, the Management Company, the Registrar and Transfer Agent are to be reimbursed expenses and other costs incurred in connection with the respective sub-fund as well as expense and other costs incurred in calling on the services of third parties. In addition, standard banking expenses shall be reimbursed to the Custodian;
- e) taxes levied on fund and/or sub-fund assets, its income and expenses and charged to the respective sub-fund;
- f) costs for legal services incurred by the Management Company or the Custodian when acting in the interest of investors of the respective sub-fund;
- g) auditor's costs;
- h) costs for creating, preparing, storing, publishing, updating, printing and distributing all documents for the fund, in particular the prospectus, the "Key Investor Information Document", the annual and semi-annual reports, notifications to investors, notices of meetings, any unit certificates and income certificate and form renewals, sales notifications and requests for approval to countries in which the fund or sub-fund's units are to be sold and the correspondence with the relevant supervisory authorities. With regard to the "Key information for investors" this also covers both the costs of the Management Company and of third parties appointed by the Management Company that are necessary with regard to the initial creation, planned and unplanned updates, translation, distribution, SRRI monitoring or other activities required when implementing the EU Regulation 583/2010;
- i) administration fees payable to authorities on behalf of the fund/sub-fund, in particular to the Luxembourg supervisory authorities and other supervisory authorities in other countries, and fees charged for filing fund documents;
- j) costs incurred in connection with any stock market listing;
- k) advertising costs and costs incurred in direct connection with offering and selling units (e.g. compilation and updating of fact sheets);
- l) insurance costs;

- m) fees, expenses and other costs incurred by the paying agents, the distributor and other offices needing to be set up abroad that are connected to the respective sub-fund;
- n) interest on borrowings pursuant to Article 4 of the Fund Management Regulations;
- o) expenses of an investment committee, where applicable;
- p) supervisory board expenses;
- q) costs of establishing the fund and/or individual sub-funds and the initial issue of units;
- r) general operating costs of the fund;
- s) other administration costs, which can be collected as part of a lump-sum fee of up to 0.30% p.a. of the net sub-fund assets in favour of the Management Company, with particular regard to (i) the performance of coordination duties in connection with the authorisation of the fund and individual sub-fund and the distribution and the offering of units in other countries, (ii) the review of specific marketing materials, and (iii) any activities above and beyond the standard administrative duties, as well as other operating expenses.
- t) other administration costs, including costs of associations;
- u) costs for performance attribution;
- v) costs incurred on behalf of the fund or the sub-funds in connection with the implementation, use and maintenance of an automated order management system or other IT systems (including hardware and software) used for the fund or sub-funds;
- w) costs incurred in obtaining credit ratings for the fund and/or sub-funds from nationally and internationally-recognised credit rating agencies;
- x) costs relating to currency hedging; and
- y) reasonable costs for risk control and risk management.

All costs, fees and expenses described above are subject to VAT, where applicable.

All costs are initially credited against income, capital gains and finally to the respective sub-fund assets.

Costs of establishing the fund (including inter alia costs for: structuring and coordination of fund documentation and fund-specific documents, external consulting services, coordination with respective service providers in the meeting of legal prerequisites and foreign authorisations in the first year of the fund) and of the initial issue of units are depreciated over the first five financial years and expensed to the assets of sub-funds that exist when the fund was established. The costs of establishing the fund and the costs described above that are not exclusively allocated to a specific sub-fund are spread on a pro rata basis across the respective sub-fund assets by the Management Company.

The costs of establishing the fund and the costs described above that are not exclusively

allocated to a specific sub-fund are spread on a pro rata basis across the respective sub-fund assets by the Management Company.

Expenses which are incurred in connection with the establishment of other sub-funds are depreciated within a maximum period of five years after the sub-fund's establishment, and are charged to the respective sub-fund to which they are allocated.

## **Article 12 Application of Revenues**

1. The Management Company may distribute the earnings generated in a sub-fund to the investors of the sub-fund or accumulate these returns in the sub-fund. This option is detailed in the relevant appendix to the prospectus for the respective sub-fund.

2. Dividends may include ordinary net revenues as well as gains realised. Furthermore, non-realised gains and other assets can also be included in dividends provided the net asset value of the fund does not fall below EUR 1,250,000 because of the dividend.

3. Distributions are paid out on the outstanding units on the day of distribution.

Distributions may be paid in whole or in part in the form of bonus units. Remaining fractions, if any, may be paid out in cash. Earnings, which have not been claimed five years after the publication of a distribution notice, will be forfeited and revert to the relevant sub-fund.

4. Generally, dividends due to holders of registered units are reinvested to the benefit of the unitholder. If this is not desired, the unitholders may request from the Registrar and Transfer Agent that payment be made to an account they specify within 10 days after receipt of notification of the distribution.

## **Article 13 Financial year - Audit**

1. The financial year for the fund starts on 1 January of each year and ends on 31 December of the same year.

2. The annual accounts of the fund shall be audited by an approved auditor who shall be appointed by the Management Company.

3. At the latest four months after the end of each financial year, the Management Company will publish an audited annual report in accordance with the provisions of the Grand Duchy of Luxembourg

4. Two months after the end of the first half of the financial year the Management Company will publish an unaudited semi-annual report. If required for sales in other countries, additional audited and unaudited intermediate reports may be created.

## **Article 14 Announcements**

1. Unit values, issue and redemption prices and all other information can be obtained from the Management Company, the Custodian, each paying agent and the distributor. They are in addition published in the required media of each country where the units are sold.

2. The prospectus, "Key Investor Information Document" as well as the annual and semi-

annual reports of the fund can be found on the Management Company's website, [www.alceda.lu](http://www.alceda.lu), and may be downloaded free of charge. The current prospectus, "Key Investor Information Document" and the annual and semi-annual reports of the fund are also available from the head office of the Management Company, the Custodian, at each paying agent and distributor as a hard copy free of charge. The applicable Custodian agreement, the articles of association of the Management Company and the principle administration agreement can be inspected at the relevant head offices of the Management Company, the paying agents, and the distributor.

## **Article 15 Merger of the Fund and Sub-funds**

1. In accordance with the provisions described below, the supervisory board of the Management Company may decide to merge the fund or a sub-fund with another Undertaking for Collective Investment in Transferable Securities ("UCITS") managed by the same or another management company. The merger may be decided upon in particular in the following cases:

- if, on a valuation day, the net assets of the fund or the net assets of one of the sub-funds fall under an amount deemed to be the minimum amount required to manage the fund or the sub-fund in a rational economic manner. The Management Company has set this limit at EUR 5 million.
- if it no longer seems rational to manage the fund or the sub-fund, due to a substantial change in the economic or political environment or due to reasons of economic profitability.

If the fund ceases to exist as a result of the merger, the effectiveness of the merger must be certified by a notary.

2. The supervisory board of the Management Company may also decide to include in the fund or sub-fund another fund or sub-fund that is managed by the same or another management company.

3. Mergers are possible between two Luxembourg funds or sub-funds (domestic merger) as well as between funds or sub-funds that are domiciled in two different member states of the European Union (cross-border merger).

4. Such a merger may only be carried out if the investment policy of the fund or sub-fund to be absorbed does not violate the investment policy of the absorbing UCITS.

5. The merger is accomplished by way of liquidation of the fund or sub-fund to be absorbed and simultaneous takeover of its net assets by the absorbing fund or sub-fund. Investors in the fund to be absorbed receive units of the absorbing fund, the number of which is based on the ratio of the net asset values per unit of the funds involved at the time of the absorption, with a provision for settlement of fractions if necessary.

6. Both the absorbing fund or sub-fund and the fund or sub-fund to be absorbed must inform investors appropriately about the planned merger by publication of a notice in a Luxembourg daily newspaper and according to the requirements of the relevant distribution countries of the fund or sub-fund absorbing and being absorbed.

7. The investors of the fund or sub-fund absorbing and being absorbed have the right for thirty days at no additional cost to redeem all or part of their units at the key unit value or, if possible, request the exchange with units of another fund with a similar investment policy that is managed by the same Management Company or a different company with which the Management Company is associated by joint management or control or a significant direct or indirect holding. The right takes effect from the time at which the unitholder of the fund absorbing and being absorbed is informed about the planned merger and lapses five banking days before the time of calculating the exchange relationship.

8. For a merger between two or more funds or sub-funds, the affected funds or sub-funds may suspend the subscription, redemption or conversion of units from time to time if such suspension is justified for reasons of unitholder protection.

9. The execution of the merger is audited and confirmed by an independent auditor. The investors in both the absorbed and the absorbing fund or sub-funds and the relevant responsible supervisory authority will be provided with a copy of the auditor's report on request free of charge.

10. This also applies equally to mergers of two sub-funds within the fund and to the merger of unit classes within a sub-fund.

#### **Article 16 Liquidation of the Fund and/or Sub-fund**

1. The fund is established for an indefinite period. Notwithstanding this, the fund and/or one or more sub-fund(s) may be liquidated at any time by the Management Company, particularly if significant economic and/or political changes have occurred since the fund and/or sub-fund was established.

2. The dissolution of the fund is compulsory in the following cases:

a) if the appointment of the Custodian is terminated without a new Custodian being appointed within two months;

b) if insolvency proceedings are opened against the Management Company and no other Management Company declares its willingness to take over the fund or if the Management Company is liquidated;

c) if fund assets remain below EUR 312,500 for a period of more than six months;

d) in other cases prescribed by the Law of December 2010.

3. If circumstances arise which lead to the liquidation of the fund or of a sub-fund, the issuance and redemption of units is terminated. The Custodian will distribute the liquidation proceeds less liquidation costs and fees, upon instructions from the Management Company or, if appropriate, the liquidators appointed by the Management Company or Custodian Bank with the approval of the supervisory authority, among the investors of the fund according to their claims. The net liquidation proceeds not collected by investors by the end of the liquidation process will be deposited by the Custodian with the *Caisse de Consignation* in the Grand Duchy of Luxembourg at the conclusion of the liquidation process for the account of investors entitled to them, where such amounts will be forfeited if not claimed by the statutory deadline.

4. The investors, their heirs, creditors or legal successors may neither request the premature liquidation nor the splitting of the fund or a sub-fund.

5. The liquidation of the fund pursuant to this Article shall be published in accordance to legal provisions by the Management Company in the *Mémorial* and in at least two national daily newspapers, including the *Tageblatt*.

6. The liquidation of a sub-fund shall be published in a manner prescribed in “Information for Investors” in the prospectus.

#### **Article 17 Expiry of Claims and Presentation Period**

Investors’ claims against the Management Company or the Custodian shall cease to be valid 5 years after the date of the occurrence giving rise to the claim. The provision contained in Article 16, No. 3 of these Fund Management Regulations remains unaffected.

The presentation period for dividend coupons is 5 years from the publication of the relevant dividend declaration. Distribution amounts not claimed within this period are forfeited and revert to the fund.

#### **Article 18 Applicable Law, Jurisdiction and Reference Language**

1. The Management Regulations of the fund are subject to the laws of the Grand Duchy of Luxembourg, as are the legal relationships between the investors, the Management Company and the Custodian if independently of this, these legal relationships are not subject to special rules from a different legal environment. In particular, the regulations of the Law of December 2010 supplement the rules provided by these Fund Management Regulations. The Management Regulations are deposited at the Luxembourg Commercial Registry. Every legal dispute between investors, the Management Company and the Custodian is subject to the jurisdiction of the competent court in the judicial district of Luxembourg in the Grand Duchy of Luxembourg. The Management Company and the Custodian are entitled to submit themselves and the fund to the jurisdiction and the law of each distribution country, insofar as claims of those unitholders are concerned who have their domicile in the country concerned and in relation to matters which refer to the fund or sub-fund.

2. In the event of a legal dispute only the German version of these Management Regulations is decisive. The Management Company and the Custodian may, with respect to units of the fund which are sold to investors in non-German-speaking countries, declare translations in the languages of countries in which such units are authorised for public distribution to be binding for themselves and for the fund.

3. If terms that are not defined by the Management Regulations require interpretation, the provisions of the Law of December 2010 apply. This particularly applies to the terms defined in Article 1 of the Law of December 2010.

#### **Article 19 Amendments to the Fund Management Regulations**

1. Subject to the approval of the Custodian, the Management Company may amend these Management Regulations, in whole or in part, at any time.

2. Amendments to these Fund Management Regulations are lodged with the Luxembourg Trade and Companies Register and come into effect on the date they are signed, unless otherwise specified. A reference concerning this deposit is published in the *Mémorial*.

#### **Article 20 Effective Date**

Unless otherwise specified, these Fund Management Regulations shall come into effect on the date they are signed.

Dated: January 2016

## ADDITIONAL INFORMATION FOR INVESTORS IN THE UNITED KINGDOM

This addendum should be read in conjunction with and forms part of the Prospectus dated January 2016. Capitalised terms used in this addendum shall bear the meanings attributed to them in the Prospectus.

### 1. Offering of Units in the United Kingdom

#### 1.1 General

The Fund is a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000 ("FSMA") of the United Kingdom ("UK").

Alceda Fund Management S.A., 5, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg is the management company of the Fund, responsible for management, administration and distribution.

#### 1.2 Important

##### Cancellation Rights

A UK investor who subscribes for Units in the Fund in response to the Prospectus will not have the right to cancel the subscription under the cancellation rules made by the Financial Services Authority in the UK. The agreement will be binding upon acceptance of the order by the Fund.

##### Compensation

The Fund does not carry on regulated activities from a permanent place of business in the UK. UK investors are advised that most of the protections afforded by the UK regulatory system will not apply to an investment in the Fund. Investors in Units of the Fund may not be protected by the Investors Compensation Scheme established in the UK.

##### Complaints

Any investor wishing to make a complaint regarding any aspect of the Fund or its operations may do so directly to the Fund for the attention of ACOLIN (UK) Limited, Aldgate Tower, 35 Whitechapel High Street, London, E1 7PU, United Kingdom.

Potential investors should note that the investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in Units and other securities, in addition to the additional risks associated with investment in certain of the Funds, as described under "Notes on Risk".

### 2. Cash Subscription or Redemption Requests

All requests for details of the procedures for the subscription or redemption of Units for cash should be made to ACOLIN (UK) Limited, Aldgate Tower, 35 Whitechapel High Street, London, E1 7PU, in the UK or to the Management Company in Luxembourg.

Cash subscription or redemption amounts will be payable in the Base Currency or local currency by way of bank transfer, unless otherwise agreed.

### 3. Subscription and Redemption Procedures

The attention of investors is drawn to the subscription and redemption procedures contained in the Prospectus in particular with regard to the deadlines for the relevant Sub-funds. Requests for details of procedures for subscription or redemption for cash should be sent to ACOLIN (UK) Limited, Aldgate Tower, 35 Whitechapel High Street, London, E1 7PU, United Kingdom or to the Management Company.

### 4. Publication of Information

The most recent NAV per Share is available the Business Day after each Valuation Date at the registered office of the Fund and in the UK at ACOLIN (UK) Limited, Aldgate Tower, 35 Whitechapel High Street, London, E1 7PU, United Kingdom.

The most recent NAV per Share of each Fund is published daily in at least one national newspaper. Both the intra-day portfolio value and NAV per Share for all Funds will be reported in the relevant Base Currency.

Dealing Prices are also available at [www.alceda.lu](http://www.alceda.lu)

Copies of the most recent Prospectus, Key Investor Information Documents, Management Regulations and the most recently prepared Annual and Semi-Annual reports are available free of charge at ACOLIN (UK) Limited, Aldgate Tower, 35 Whitechapel High Street, London, E1 7PU, United Kingdom.

### 5. Documents Available For Inspection

Copies of the following documents may be inspected free of charge during normal business hours on any Business Day at the offices of ACOLIN (UK) Limited, Aldgate Tower, 35 Whitechapel High Street, London, E1 7PU, United Kingdom:

- a) the detailed sales prospectus of the Fund;
- b) the custodian agreement;
- c) the principal administration agreement; and
- d) the financial reports of the Fund.

The above documents may be delivered to interested investors at their request.

### 6. UK Taxation

#### 6.1 Introduction

The following is a non-exhaustive summary of the expected UK tax treatment of participation by UK Unitholder in the Fund based on current law and practice as at the date of issuance of this Supplement, which in either case may change.

In particular, the UK tax characterisation of contractual funds, the definition of what constitutes an offshore fund and the regime that governs the UK tax treatment of offshore funds generally,

are all currently in the process of substantial change, some of which has yet to be finalised.

This summary assumes that the Unitholder are the absolute beneficial owners of Units in the Fund. In addition, the following summary does not address:

- a) Unitholders who hold Units in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate unitholder, through a permanent establishment or otherwise);
- b) Unitholders who have (or are deemed to have) acquired Units by virtue of an office or employment;
- c) Unitholders who hold Units as part of a hedging transaction; or
- d) Unitholders that are insurance companies, dealers in securities, broker-dealers or persons connected with Alceda Fund Management S.A.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any prospective unitholder. Prospective Unitholders should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and HM Revenue & Customs ("HMRC") practice, of acquisition, ownership and disposition of Units in their own particular circumstances by consulting their own tax advisors.

## 6.2 The Fund – Residence

The Manager intends, as far as possible, to conduct the affairs of the Fund so as to minimise any liability of the Fund to UK taxation. Accordingly, the Fund will be managed with the intention that it does not become resident in the UK for any UK Unitholders should be aware that the admission of new Unitholders to the Fund during the life of the Fund may give rise to tax charges as a result of the deemed disposal by existing Unitholders of their interests in the underlying Fund assets to incoming Unitholders.

- (b) Treatment of FCPs either post-1 December 2009 and/or where a back-dating election has been made by the Unitholder

FCPs will be treated as fiscally transparent for UK income tax purposes and opaque for the purposes of the TCGA.

- (i) Fiscal transparency for UK income tax purposes

For UK income tax purposes, each Unitholder in the Fund will generally be subject to UK taxation, in accordance with his individual circumstances, on his proportionate share of the income of the Fund in the year in which such income is realised by the Fund, regardless of whether such income is distributed by the Fund in that year. The tax treatment applicable for Unitholders will therefore depend upon the nature of investments held by the Fund.

- (ii) Opaque treatment of FCP for UK capital gains tax purposes

UK individual investors will be treated as holding the Units in the FCP for the purposes of the TCGA. As a result, if new Unitholders are admitted to the Fund during the life of the Fund, the existing Unitholders will not be treated as disposing of part of the underlying assets of the Fund.

A holding of Units in the Fund will constitute an interest in an offshore fund for the purposes of

the Offshore Funds (Tax) Regulations 2009. However if the Fund provides sufficient information to UK investors to enable them to complete tax returns appropriately with regards to the annual income profits of the Fund, the Regulations should not impose a charge to UK income tax on any gain realised on disposal transfer or redemption of Units. The Manager expects that provision of sufficient information should be linked with the Fund obtaining UK Reporting Fund Status ("UK RFS") which should add certainty that any gains realised on disposal would be subject to tax as capital gains in the hands of UK individual investors. Certain classes of Unit of the Fund have UK Reporting Fund Status these are listed below:

Sub-fund	Unit class
AC Risk Parity 7 Fund:	EUR A, EUR B, EUR C, EUR D, USD A, USD B, GBP A
AC Risk Parity 12 Fund:	EUR A, EUR B, EUR C, EUR D, EUR X, USD A, USD B, GBP A, GBP B SGD A

taxation purposes, or otherwise create a taxable presence in the UK for any of its Unitholders. It is anticipated that the Fund should be treated as a transparent entity for UK tax purposes as regards its income. Accordingly, the Fund, as distinct from its Unitholders, should not be liable to UK tax on UK source income, although it may suffer such taxation on behalf of its Unitholders.

### 6.3 Current UK taxation treatment of the Fund

The UK taxation treatment of a fonds commun de placement ("FCP"), such as the Fund, will depend upon the tax status of the UK Unitholder. Unitholders should also be aware that the UK taxation treatment of FCPs is subject to change on the designated commencement day for various sections of the Finance Act 2009. These changes to the UK taxation treatment of FCPs are outlined below.

### 6.4 UK Individual Unitholders

The Finance Act 2009 changes the tax treatment in relation to those individual or other UK Unitholders who are subject to capital gains tax under Taxation of Chargeable Gains Act 1992 ("TCGA") with effect from 1 December 2009. As of this date, a holding in the Fund will be treated as if it were a holding of shares in an offshore company for UK capital gains tax purposes i.e. "opaque". As such, capital gains or losses realised by the Fund upon disposal of its underlying investments will no longer be subject to, or available for relief from UK tax in the hands of the Unitholder as and when they arise to the Fund. Instead, a disposal, transfer or redemption of Units in the Fund will become a chargeable disposal for UK capital gains tax purposes. This opaque treatment can be backdated to the 2003-2004 tax year at the election of the Unitholder in the FCP in question. Investors should take their own advice on the backdating election due to its complexity.

(a) Treatment of FCPs pre-1 December 2009 where no back-dating election has been made by the Unitholder (this is relevant for investors that held Units before 1 December 2009)

Each Unitholder in the Fund will generally be treated for the purposes of UK taxation on income and gains as if he owned a proportionate share of each asset of the Fund directly and should be subject to UK taxation, in accordance with his individual circumstances, on his share of the profits of the Fund in the year in which such profits are realised by the Fund, regardless of whether those profits are distributed by the Fund in that year. A disposal of a holding in the Fund itself would not be a chargeable event for the purposes of UK capital gains tax.

The taxation treatment of the Fund's profits in the hands of Unitholders will be determined by the tax status of the Unitholder and the source of those profits within the Fund, in accordance with the principle of fiscal transparency. The tax treatment applicable to Unitholders will therefore depend upon the nature of the investments held by the Fund.

AC Risk Parity 17 Fund: EUR A, EUR B, EUR X, GBP A,

The annual methodology for UK tax reporting is still subject to finalisation by HMRC and the Manager will undertake to meet the requirements as set out by them.

(c) General points for UK individual Unitholders

A gift of Units or the death of a Unitholder may give rise to a liability to UK inheritance tax. For these purposes, a transfer of assets at less than their full market value may be treated as a gift. Special rules apply to assets held in trusts and to gifts of assets where the donor retains an interest or reserves a benefit. However, an individual who is not domiciled in the UK, and is not deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK, is not generally within the scope of inheritance tax with respect to assets situated outside the UK. The Units should constitute assets situated outside the UK for inheritance tax purposes.

The attention of Unitholders subject to UK income tax is drawn to the anti-avoidance provisions of Section 720 of the Income Taxes Act 2007. These provisions deal with the transfer of assets outside the UK which may render certain resident persons liable to UK tax on undistributed income or profits of the Fund.

## 6.5 UK Corporation Taxpayer Unitholders

(a) Previous treatment of FCPs (fiscal transparency) (relevant to investors prior to 1 April 2010)

Each UK corporation taxpayer Unitholder will generally be treated for the purposes of UK taxation as if he owned a proportionate share of each asset of the Fund directly and should be subject to UK taxation on his share of the profits of the Fund in the year in which such profits are realised by the Fund, regardless of whether those profits are distributed.

The taxation treatment of the Fund's profits in the hands of Unitholders will be determined by the source of those profits within the Fund, in accordance with the same principle of fiscal transparency, as follows.

Unitholders subject to UK corporation tax will be subject to UK taxation on profits derived from futures contracts held by the Fund in accordance with the rules governing the taxation of "derivative contracts" contained in Part 7 of the Corporation Tax Act 2009. Similarly, any profits derived from debt instruments held by the Fund will be subject to UK taxation according to the rules governing the taxation of loan relationships in Parts 5 and 6 of the Corporation Tax Act 2009.

Unitholders should be aware that the admission of new Unitholders to the Fund during the life of the Fund may give rise to tax charges as a result of the deemed disposal by existing Unitholders of their interests in the underlying Fund assets to incoming Unitholders.

(b) Current treatment of FCPs under Finance Act 2009

UK corporation taxpayer Unitholders should note that the Finance Act 2009 provides for FCPs to be treated as opaque for the purposes of tax on chargeable gains, with effect from a commencement day to be determined by secondary legislation, this is now confirmed as 1 April 2010. FCPs will, however, continue to be fiscally transparent for the purposes of tax on income. The Finance Act 2009 provides for the opaque treatment of the FCPs to be back-dated to the 2003-2004 tax year at the election of the Unitholder. Investors should take their own advice on the backdating election due to its complexity.

As a result of this opaque treatment of the Fund for the purposes of tax on chargeable gains, existing Unitholder should be treated as holding a unit in a FCP for chargeable gains purposes, rather than a proportionate share of each asset of the Fund.

A holding of Units in the fund will constitute an interest in an offshore fund for the purposes of the Offshore Funds (Tax) Regulations 2009. However if the fund provides sufficient information to UK investors to enable them to complete tax returns appropriately as regards to the annual income profits of the Fund the Regulations should not impose a charge to UK income tax on any gain realised on disposal transfer or redemption of Units. The Manager expects that provision of sufficient information should be linked with the Fund obtaining UK Reporting Fund Status ("UK RFS") which should add certainty that any gains realised on disposal would be subject to tax as capital gains in the hands of UK corporate investors. Certain classes of unit of the Fund have UK Reporting Fund Status these are listed below:

Sub-fund	Unit class
AC Risk Parity 7 Fund:	EUR A, EUR B, EUR C, EUR D, USD A, USD B GBP A
AC Risk Parity 12 Fund:	EUR A, EUR B, EUR C, EUR D, EUR X, USD A, USD B, GBP A, GBP B SGD A,
AC Risk Parity 17 Fund:	EUR A, EUR B, EUR X, GBP A,

The annual methodology for UK tax reporting is still subject to finalisation by HMRC and the Manager will undertake to meet the requirements as set out by them.

Unitholders subject to UK corporation tax will be subject to UK taxation on profits derived from futures contracts held by the Fund in accordance with the rules governing the taxation of "derivative contracts" contained in Part 7 of the Corporation Tax Act 2009 ("CTA") to the extent these profits are treated as income in the hands of the UK corporate taxpayers. Similarly, any profits derived from debt instruments held by the Fund will be subject to UK taxation according to the rules governing the taxation of loan relationships in Parts 5 and 6 of the Corporation Tax Act 2009 to the extent these profits are treated as income in the hands of the UK corporate taxpayers.

Part 6 of CTA could apply, whereby "relevant interests" of corporate Unitholders in an offshore fund, such as the Fund, may be deemed to constitute "a loan relationship". Accordingly, Unitholders would be taxed on the increase in value of their investment on an annual, mark to market basis (or would obtain tax relief on the equivalent decrease in value). These provisions would not apply however, where the market value of investments in relevant interest bearing securities and other "qualifying investments" is less than 60% of the value of all investments held by the Fund, at all times during an accounting period.

## 6.6 Further points to note for all UK Unitholders

Were the Fund to be considered to be carrying on a trade for the purposes of UK taxation (rather than investing), all profits derived from it would be treated as trading income in the hands of Unitholder and taxed as such. Whether the Fund is treated as carrying on a trade will depend upon precisely how the manager undertakes the investment strategy.

Where the Fund is treated as opaque for the purposes of tax on chargeable gains, UK Unitholder should note that anti-avoidance provisions in Section 13 TCGA may apply to attribute chargeable gains realised by the Fund to Unitholder. Section 13 of TCGA, could be material to any such Unitholder who hold 10% or more of the Units in the Fund if, at the same time, the Fund is controlled in such a manner that if it were a company resident in the UK, it would be a “close company” for UK tax purposes. If applicable, these provisions could result in such a Unitholder being treated, for the purposes of UK tax, as if part of any gain accruing to the Fund had accrued to the Unitholder directly.

The Fund may be liable to transfer taxes on acquisitions and disposals of investments. In the UK, stamp duty or Stamp Duty Reserve Tax at a rate of 0.5% will be payable by the Fund on the acquisition of shares in companies that are either incorporated in the UK or that maintain a share register in the UK. This could also apply to UK shares contributed into the Fund by Unitholders. No UK stamp duty or Stamp Duty Reserve Tax should be payable by Unitholders on the purchase or sale of Units or on an in-specie distribution of investments on a redemption of Units.

January 2016

This addendum should be read in conjunction with and forms part of the Prospectus dated January 2016. Capitalised terms used in this addendum shall bear the meanings attributed to them in the Prospectus.

1. Management Company  
Alceda Fund Management S.A., 5, Heienhaff, L-1736 Senningerberg, Luxembourg
2. Name of investment fund and sub-funds to be marketed in the Republic of Slovenia

#### AC

Name of AC sub-fund	Share class	Code number
AC – Risk Parity 7 Fund	EUR A	ISIN: LU0326194015
AC – Risk Parity 7 Fund	EUR B	ISIN: LU0355228080
AC – Risk Parity 7 Fund	CHF A	ISIN: LU0531218880
AC – Risk Parity 7 Fund	CHF B	ISIN: LU0531219003
AC – Risk Parity 12 Fund	EUR A	ISIN: LU0374107992
AC – Risk Parity 12 Fund	EUR B	ISIN: LU0430218775
AC – Risk Parity 12 Fund	CHF A	ISIN: LU0554704139
AC – Risk Parity 12 Fund	CHF B	ISIN: LU0554704212
AC – Risk Parity 17 Fund	EUR B	ISIN: LU0748083101

3. Custodian Bank

**The Bank of New York Mellon (Luxembourg) S.A.** 2-4, rue Eugène Ruppert  
L-2453 Luxembourg

4. Registrar and Transfer Agent

**The Bank of New York Mellon (Luxembourg) S.A.** 2-4, rue Eugène Ruppert  
L-2453 Luxembourg

5. Paying Agent in the Republic of Slovenia

Banka Koper d.d., Pristaniška 14, 6502 Koper

6. Subscription Site and Information Agent

Subscription and redemption orders in the Republic of Slovenia will be accepted by Numerica Partners Ltd., Dalmatinova 7, 1000 Ljubljana.

The information agents in the Republic of Slovenia are:

Numerica Partners Ltd., Dalmatinova 7, 1000 Ljubljana – [www.numericapartners.si](http://www.numericapartners.si)

Vzajemci d.o.o., Litostrojska 44e, 1000 Ljubljana – [www.vzajemci.com](http://www.vzajemci.com)

Finančni Trgi, finančno svetovanje, d.o.o., Verovškova ulica 55, 1000 Ljubljana -  
[www.financnitrgi.com](http://www.financnitrgi.com)

The Fund's prospectus, key investor information documents, Fund management regulations, the latest annual and semi-annual reports as well as any other reports may be obtained free of charge from the information agents.

#### 7. Publication of unit prices and other information

The issue, sale, repurchase or redemption prices of units of the Fund as well as all other information which the Fund is obliged to publish in Luxembourg will be published in the following Slovenian newspapers and media:

- Dnevnik – in the print version of the newspaper as well as online at [www.dnevnik.si](http://www.dnevnik.si);
- Večer – in print only;
- Finance – only online at [www.finance.si](http://www.finance.si).

In addition, unit prices will be published on the following websites:

- [www.numerica-partners.si](http://www.numerica-partners.si)
- <http://vzajemci.com/>
- <http://cekin.si/>
- <http://www.najdi.si/>

#### 8. Information on the tax treatment of investors in the Republic of Slovenia

##### (a) Taxation of natural persons Natural persons – residents

According to the Slovenian Income Tax Act (ZDoh-2, Official Journal of Republic of Slovenia, No. 117/06) units in mutual funds are considered as equity and profit from redemption of units is considered as capital gains from disposal of shares.

The basis on which capital gains income tax is calculated is the difference between the capital value at redemption, reduced by 1%, and the capital value at acquisition, increased by 1%.

The base and definitive rate of capital gains income tax is 25%, and the realized capital gains are not included in the investor's annual income tax base. The income tax rate on capital gains is reduced for every five years the capital is held as follows:

- five years of capital ownership: 15%
- ten years of capital ownership: 10%
- fifteen years of capital ownership: 5%
- twenty or more years of capital ownership: 0%.

##### Natural persons – non-residents

Non-resident natural persons in the Republic of Slovenia are obliged to pay tax on all income originating inside the Republic of Slovenia. Income from the Fund (capital gains) does not represent taxable income originating inside the Republic of Slovenia as the Fund is not established and organised under Slovenian law.

##### (b) Taxation of legal entities

##### Legal entities – residents

According to the Slovenian Law on Corporate Income Tax (ZDDPO-2, Official Journal of RS, No. 117/06) a legal entity established or having its place of effective management in Slovenia is subject to tax in Slovenia, and is as such obliged to pay tax on all income originating inside or outside the Republic of Slovenia. Incomes gained by redemption, transfer or conversion of units of sub-funds or by liquidation of a sub-fund are included in the tax base of a legal entity for the purpose of calculating its profits. Tax on profits is payable at 17% in 2013, 16% in 2014 and at 15% from 2015.

#### Legal entities – non-residents

Legal entities – non-residents are subject to tax in Slovenia on all income originating inside the Republic of Slovenia. Income gained by redemption, transfer or conversion of units of sub-funds or by liquidation of a sub-fund results in a tax liability for the legal entity – non-resident in Slovenia under the Slovenian Law on Corporate Income Tax (ZDDPO-2), only if acquired through the permanent establishment of the foreign legal entity in the Republic of Slovenia. The income tax rate on profits of a non-resident legal entity is 17% in 2013, 16% in 2014 and at 15% from 2015.

#### (c) Taxation in case of conversions between sub-funds

In case of conversion of units of one sub-fund for units of another sub-fund of the Fund, managed by a management company which is resident in another Member State, the determination of tax liability is deferred, if the management company ensures appropriate means of conversions between sub-funds.

In the case of deferral of determination of tax liability, the latter is determined only at the next taxable redemption of the Fund's units. The summary of the tax treatment referring to holders of the Fund's units in the Republic of Slovenia is general. For more details, please consult your tax or financial advisor.