

The Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**SPDR EUROPE  
PUBLIC LIMITED COMPANY  
an umbrella fund with segregated liability between sub-funds**

*(an open-ended investment company with variable capital incorporated with limited liability in Ireland and established as an umbrella fund with segregated liability between sub-funds and as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended)*

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**PROSPECTUS**

**for**

**Barclays Quantitative Merger Arbitrage US Fund**

**18 October 2012**

**THIS DOCUMENT CONTAINS IMPORTANT INFORMATION ABOUT THE COMPANY AND THE FUNDS AND SHOULD BE READ CAREFULLY BEFORE INVESTING. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR BROKER, INTERMEDIARY, BANK MANAGER, LEGAL ADVISER, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER.**

*Certain terms used in this Prospectus are defined in the section of this document entitled "Definitions".*

#### **Central Bank Authorisation**

*The Company has been authorised by the Central Bank as a UCITS within the meaning of the Regulations. The authorisation of the Company is not an endorsement or guarantee of the Company by the Central Bank nor is the Central Bank responsible for the contents of this Prospectus. The authorisation of the Company by the Central Bank shall not constitute a warranty as to the performance of the Company and the Central Bank shall not be liable for the performance or default of the Company or of any fund. The Company is an umbrella fund with segregated liability between funds.*

#### **Investment Risks**

*There can be no assurance that the Fund will achieve its investment objective. It should be appreciated that the value of the shares and any income from them is not guaranteed and may go down as well as up. An investment in the Fund involves investment risks, including possible loss of the amount invested. The capital return and income of the Fund are based on the capital appreciation and income on the investments it holds, less expenses incurred. Therefore, the Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income. Fluctuations in the rate of exchange between the currency in which the shares are denominated and the currency of investment may also have the effect of causing the value of an investment in the shares to diminish or increase. Investors' attention is drawn to the specific risk factors set out in the section entitled "Risk Factors". **The difference at any one time between the subscription price and the repurchase price for share means that an investment in a Fund should be viewed as medium to long term. It is recommended that for retail investors an investment in any of the Funds should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. Subject to the conditions and within the limits from time to time laid down by the Central Bank, the Fund may engage in transactions in financial derivative instruments, whether for efficient portfolio management purposes (i.e. hedging, reducing risks or costs, or increasing capital or income returns) or investment purposes. To the extent that the Fund invests substantially in deposits or money market instruments, the attention of investors is drawn to the difference between the nature of a deposit and the nature of an investment in the Fund. In particular, the attention of investors is drawn to the risk that the principal invested in the Fund is capable of fluctuation.***

#### **Distribution and Selling Restrictions**

*The distribution of this Prospectus and the offering or purchase of the shares may be restricted in certain jurisdictions. No persons receiving a copy of this Prospectus or the accompanying application form in any such jurisdiction may treat this Prospectus or such application form as constituting an invitation to them to purchase or subscribe for shares, nor should they in any event use such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used. Accordingly, this Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for shares pursuant to this Prospectus to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for shares should inform themselves as to the legal requirements of so applying and subscribing, holding or disposing of such shares and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence, incorporation or domicile, including any requisite government or other consents and the observing of any other formalities.*

*The shares have not been, and will not be, registered under the 1933 Act or the securities laws of any of the states of the US and the Company has not been, and will not be, registered under the 1940 Act or the laws of any of the states of the US. Accordingly the shares may not be offered or sold directly or indirectly in the US or to or for the account or benefit of any US Person, except pursuant to an exemption from, or in a transaction not subject to the regulatory requirements of, the 1933 Act and any applicable state securities laws. The Company's shares will only be available to US Persons who are "**qualified institutional buyers**" under Rule 144A under the 1933 Act and "**qualified purchasers**" within the meaning of Section 2(a)(51) of the 1940 Act and who make*

certain representations. Any re-offer or resale of any of the shares in the US or to US Persons may constitute a violation of US law. In the absence of such exemption or transaction, each applicant for shares will be required to certify that it is not a US Person.

The Company will not be registered under the 1940 Act, but will be exempt from such registration pursuant to Section 3(c)(7) thereunder. Section 3(c)(7) exempts non-US issuers who are not making or proposing to make a public offering of their securities in the US. The outstanding securities of those issuers, to the extent that they are owned by US Persons (or transferees of US Persons), must be owned exclusively by persons who, at the time of acquisition of such securities, are **qualified purchasers** within the meaning of Section 2(a)(51) of the 1940 Act. Any US purchaser of the Company's shares must therefore be both a **qualified institutional buyer** under Rule 144A under the 1933 Act and a **qualified purchaser** within Section 2(a)(51) of the 1940 Act.

Applicants for shares will be required to certify that they are not US Persons.

### **Marketing Rules**

Distribution of this Prospectus is not authorised unless it is accompanied by a copy of the latest annual report and, if published thereafter, the latest half-yearly report. However, potential investors should note that the auditors do not accept or assume responsibility to any person other than the Company, the Company's Shareholders as a body and any other person as may be agreed in writing by the auditors, for their audit work, their report or the opinions they have formed. Shares are offered only on the basis of the information contained in the current Prospectus and, as appropriate, the latest annual report or half-yearly report of the Company.

Any further information or representation given or made by any dealer, salesman or other person should be disregarded and accordingly should not be relied upon. Neither the delivery of this Prospectus nor the offer, issue or sale of shares shall, under any circumstances, constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date of this Prospectus. Statements made in this Prospectus are based on the law and practice currently in force in Ireland and are subject to changes therein.

This Prospectus may be translated into other languages provided that any such translation shall be a direct translation of the English text. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in translation, the English text shall prevail and all disputes as to the terms thereof shall be governed by, and construed in accordance with, the law of Ireland.

This Prospectus should be read in its entirety before making an application for shares.

**SPDR EUROPE  
PUBLIC LIMITED COMPANY**

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Mr. Adrian Waters  
Mr. Fadi Youssef

***Company Secretary***

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***Administrator***

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***Custodian***

BNY Mellon Trust Company (Ireland) Limited  
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## SPDR EUROPE PUBLIC LIMITED COMPANY

### SUMMARY

#### **Structure**

The Company is an umbrella fund with segregated liability between sub-funds established as an open-ended investment company with variable capital under the laws of Ireland as a public limited company pursuant to the Companies Acts, 1963 to 2012 and the Regulations and has been authorised by the Central Bank as a UCITS. Its share capital is divided into a number of classes each representing interests in a fund and each fund shall comprise a distinct portfolio or pool of investments. The Subscriber Shares do not entitle the holders to participate in the assets of any fund. This Prospectus relates to the Barclays Quantitative Merger Arbitrage US Fund. The Company has established three further funds as of the date of this Prospectus: AMUNDI ETF S&P Europe 350 Fund, AMUNDI ETF S&P Euro Fund and European Equity Volatility Balanced Fund. These are offered pursuant to separate prospectuses.

#### **Investment Objective of Barclays Quantitative Merger Arbitrage US Fund**

The investment objective of the Fund is to generate a performance close to the performance of the Index and possibly to outperform the Index according to market conditions. The Index is the Barclays Q-MA US Excess Return EUR Index (Bloomberg ticker: BXIIQMEE), published net of Index Management Fees. The Index is a rule based, systematic index which aims to provide investors with exposure to potential arbitrage opportunities arising from US mergers and acquisitions. The Index aims to provide an exposure to US merger and acquisition deals larger than \$500 million, which meet any two of the following criteria: (i) the selected shares are in a public company listed on the New York Stock Exchange, The National Association of Securities Dealers Automated Quotations System (NASDAQ) or the American Stock Exchange and have exposure to the US; (ii) the announced value of the potential deal is no less than \$500 million and the consideration paid in respect of the potential deal is cash, cash and stock or stock; and (iii) the potential deal is one of the following: company takeover, tender offer (*ie* an offer to purchase some or all of the shares in a company, usually at a premium), cross-border merger, private equity (*ie* a direct purchase of shares in a private company), management buyout (*ie* where the executives of a company purchase shares in that company), squeeze out (*ie* where majority shareholders purchase minority shareholders' shares in a company, using their majority position to pressure minority shareholders into disposing of their shares), going private (*ie* the conversion of a publicly traded company into a private company), reverse merger (*ie* where a private company becomes publicly traded without an initial public offering), competing bid or leveraged buyout (*ie* where a significant amount of the purchase price of an acquisition is borrowed). The Index takes a long position in a basket of liquid, diversified and representative target company's stocks and takes a short position in the broad equity market to render the Index beta neutral (*ie* to reduce its exposure to systematic market risk).

- The Index is exposed to shares after a deal is announced and holds them until completion or termination of the deal.
- The long portfolio of shares is hedged with the S&P 500 Total Return Index.

The Index is described in the "INVESTMENT OBJECTIVE AND POLICIES" section. There can be no assurance that the Fund will achieve its investment objective.

#### **Share Classes**

Initially the Fund will have six share Classes as follows:

Share Class	Currency	Initial Offer Price	Minimum Initial Subscription	Annual Placement Fee	Annual Distribution Fee
Class A1	Euro	Euro 1,000	Euro 5,000,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class A2	Euro	Euro 1,000	Euro 100,000	Up to 0.50% per annum of the Net Asset Value of the Class	Up to 0.75% per annum of the Net Asset Value of the Class

				Class	
Class B1	GBP	GBP 1,000	GBP 5,000,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class B2	GBP	GBP 1,000	GBP equivalent of Euro 100,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class C1	USD	USD 1,000	USD 5,000,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class C2	USD	USD 1,000	USD equivalent of Euro 100,000	Up to 0.50% per annum of the Net Asset Value of the Class	Up to 0.75% per annum of the Net Asset Value of the Class

The Initial Offer Period for each Class shall commence on 1 June 2012 or on such other date as the Directors may determine in accordance with the requirements of the Central Bank.

#### ***Dividend Policy***

It is proposed that the Fund will not declare or pay a dividend.

#### ***Subscriptions and Repurchases***

Subscriptions may be made on any Dealing Day provided that the Administrator has received the subscription form by fax by 9.00am (Irish time) on the Dealing Day, with the original to follow by post. Repurchase requests must be submitted by fax by 9.00am (Irish time) to be effective on a Dealing Day, with the original to follow by post. Investors who wish to subscribe for shares or arrange for the repurchase of shares through a Paying Agent or Distributor should contact the Paying Agent or Distributor to determine the time by which applications must be received.

#### ***Taxation***

As an investment undertaking within the meaning of section 739B (1) of the Taxes Act, the Company is generally exempt from Irish tax on its income and gains and the Company will not be required to account for any tax in respect of Shareholders who are not Irish Residents provided that the necessary signed declarations are in place. The Company may be required to account for tax in respect of Shareholders who are Irish Residents. Shareholders who are not Irish Residents will not be liable to Irish tax on income from their shares or gains made on the disposal of their shares, provided that the shares are not held directly or indirectly by or for a branch or agency in Ireland. No stamp duty or other tax is payable in Ireland on the subscription, issue, holding, redemption or transfer of shares. Where any subscription for or redemption of shares is satisfied by an *in specie* transfer of Irish securities or other Irish property, Irish stamp duty may arise on the transfer of such securities or property. A gift or inheritance of shares may be liable to Irish capital acquisitions tax. The Company may be subject to, and/or accrue, withholding, capital gains, transaction-based and other taxes imposed by jurisdictions in which the Fund makes investments. Potential investors are advised to consult their own tax advisers as to the implications of an investment in the Fund. Please refer to the section entitled "Taxation" for further information.

#### ***Costs and Expenses***

Investors' attention is drawn to the details of the costs and expenses charged to the Fund which are set out in the section entitled "Fees, Costs and Expenses".

### ***Dealing Days***

Subscriptions for shares and repurchases of shares may be made on a Dealing Day. Unless otherwise determined by the Directors, each Business Day shall be a Dealing Day, except that such days shall not constitute Dealing Days where the determination of the Net Asset Value of the Fund has been temporarily suspended in the circumstances outlined in the section entitled “Temporary Suspension of Valuation of the shares and of Sales, Repurchases and Conversions”.

### ***Investor Restrictions***

The shares may not be purchased or held by US Persons unless pursuant to a relevant exemption under applicable US law and may not be offered or sold in any jurisdiction in which such offer or sale is not lawful or in which the person making such offer or sale is not qualified to do so or to anyone to whom it is unlawful to make such an offer or sale.

### ***Investment Risks***

**An investment in the Company should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. There can be no assurance that the Fund will achieve its investment objective.** An investment in the Fund involves investment risks, including possible loss of the amount invested. A more detailed description of certain investment risks relevant to investors in the Fund is set out under “Investment Objectives and Policies” and “Risk Factors”.

## DEFINITIONS

In this Prospectus the following words and phrases shall have the meanings indicated below:

<b>“1933 Act”</b>	means the US Securities Act of 1933, as amended;
<b>“1940 Act”</b>	means the US Investment Company Act of 1940, as amended;
<b>“Administration Agreement”</b>	means the agreement between the Company and the Administrator as may be amended or supplemented from time to time, pursuant to which the latter acts as administrator, registrar and transfer agent of the Company;
<b>“Administrator”</b>	means BNY Mellon Fund Services (Ireland) Limited or any successor administrator appointed by the Company;
<b>“Articles”</b>	means the articles of association of the Company;
<b>“Base Currency”</b>	means the Euro;
<b>“Business Day”</b>	means in respect of the Fund, a day on which retail banks in Ireland, the United Kingdom and France and the New York Stock Exchange are open for business or such other days as the Directors may from time to time determine and notify to Shareholders in advance;
<b>“Central Bank”</b>	means the Central Bank of Ireland;
<b>“Company”</b>	means SPDR Europe Public Limited Company, an open-ended investment company with variable capital incorporated in Ireland pursuant to the Companies Acts, 1963 to 2012 and organised as an umbrella fund with segregated liability between sub-funds;
<b>“Class”</b>	means any class of shares from time to time issued by the Company;
<b>“Custodian”</b>	means BNY Mellon Trust Company (Ireland) Limited or any successor custodian appointed by the Company;
<b>“Custodian Agreement”</b>	means the agreement between the Company and the Custodian as maybe amended or supplemented from time to time, pursuant to which the latter provides custodial and trustee services to the Company;
<b>“Dealing Day”</b>	means such Business Day or Business Days as the Directors, in conjunction with the Administrator, from time to time may determine, provided that, unless otherwise determined in respect of a Fund, each Business Day shall be a Dealing Day and provided further that in any event there shall be at least two Dealing Days each month at approximately equal intervals;
<b>“Directors”</b>	means the directors of the Company for the time being and any duly constituted committee thereof;

<b>“Distributor”</b>	means Barclays Bank plc and/or any other distributor from time to time appointed by the Company;
<b>“EEA”</b>	means the European Economic Area uniting the EU Members States and Iceland, Liechtenstein and Norway in an internal market;
<b>“EU”</b>	means the European Union;
<b>“Euro” or “euro” or “eur”</b>	means the currency unit referred to in the Second Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro;
<b>“Excess Return Swap”</b>	means the swap more particularly described in the “Investment Objectives and Policies of the Fund”;
<b>“GBP”</b>	means British Pound, the lawful currency of the United Kingdom;
<b>“fund”</b>	means any fund established by the Company, including the Fund;
<b>“Fund”</b>	means Barclays Quantitative Merger Arbitrage US Fund;
<b>“Initial Offer Period”</b>	means, for all Classes except the Class A1 Shares, the period which began at 9.00am (Irish time) on 1 June 2012 and terminates at 5.00pm (Irish time) on 1 April 2013 or such other time determined by the Directors in accordance with the requirements of the Central Bank;
<b>“Index”</b>	means the Barclays Q-MA US Excess Return EUR Index (Bloomberg ticker: BXIIQMEE) (published net of Index Management Fees). For more information on this index see the Index Sponsor’s website <a href="http://www.barcap.com/indices">www.barcap.com/indices</a> . Further details of the Index are set out below;
<b>“Index Business Day”</b>	means a Business Day on which the Index is calculated and published;
<b>“Index Disrupted Day”</b>	means a Business Day on which the calculation and publication of the Index is suspended or disrupted;
<b>“Index Management Fees”</b>	means 1.50% per annum based on the Index value;
<b>“Index Sponsor”</b>	means Barclays Bank PLC;
<b>“Intermediary”</b>	means a person who: (i) carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons; or (ii) holds shares in an investment undertaking on behalf of other persons;
<b>“Investment Manager”</b>	means Amundi Investment Solutions or any successor investment manager;
<b>“Investment Management and Distribution Agreement”</b>	means the agreement between the Company and the Investment Manager as may be amended or supplemented from time to

	time, pursuant to which the latter acts as investment manager of the Company and distributor of the shares;
<b>“Member State”</b>	means a member state of the EU;
<b>“Net Asset Value”</b>	means the net asset value of a Fund or Class, as appropriate, calculated as described herein;
<b>“Net Asset Value per share”</b>	means, in respect of any shares, the Net Asset Value attributable to the shares issued in respect of the Fund or Class, divided by the number of shares in issue in respect of that Fund or Class rounded to the nearest cent;
<b>“OECD”</b>	means the Organisation for Economic Co-operation and Development;
<b>“Paying Agent”</b>	means CACEIS Bank and/or any other paying agent from time to time appointed by the Company;
<b>“Regulated Market”</b>	means a stock exchange or regulated market which is provided for in the Articles, details of which are set out in Schedule I;
<b>“Regulations”</b>	means the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended from time to time) and any rules adopted by the Central Bank pursuant thereto;
<b>“Relevant Institution”</b>	means (i) a credit institution authorised in the EEA; (ii) a credit institution authorised within a signatory state, other than a Member State of the EEA, to the Basle Capital Convergence Agreement of July 1988 (Canada, Japan, Switzerland and the US); or (iii) a credit institution authorised in Australia, Guernsey, the Isle of Man, Jersey or New Zealand;
<b>“share” or “shares”</b>	means the shares of no par value in the Company;
<b>“Shareholder”</b>	means a holder of shares;
<b>“Subscriber Shares”</b>	means the initial share capital of 39,000 shares of no par value subscribed for euro 39,000 of which two are in issue;
<b>“Supplemental Prospectus”</b>	means any supplemental prospectus issued by the Company in connection with a Fund from time to time;
<b>“UCITS”</b>	means an undertaking for collective investment in transferable securities established pursuant to the Regulations;
<b>“UCITS Directive”</b>	means Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) , as such may be amended, supplemented or replaced from time to time;
<b>“UK”</b>	means the United Kingdom of Great Britain and Northern Ireland;

<b>“US”</b>	means the United States of America, its territories, possessions and all other areas subject to its jurisdiction;
<b>“USD”</b>	means US Dollar, the lawful currency of the US;
<b>“US Government Securities”</b>	means any security or securities issued or guaranteed by the US government, its agencies or instrumentalities; and
<b>“US Person”</b>	means, unless otherwise determined by the Directors, (i) a citizen or resident of the US; (ii) a partnership organised or existing in or under the laws of the US; (iii) a corporation organised under the laws of the US; (iv) any estate or trust which is subject to US federal income tax on its income regardless of its source.

## INTRODUCTION

The Company is an investment company with variable capital organised under the laws of Ireland as a public limited company pursuant to the Companies Acts, 1963 to 2012. The Company has been authorised by the Central Bank as a UCITS within the meaning of the Regulations. It was incorporated on 24 September 2001 under registration number 348187 under the name Credit Lyonnais ETF Public Limited Company. It changed its name on 29 January 2002 to SPDR Europe Public Limited Company. Its sole object, as set out in Clause 2 of the Company's Memorandum of Association, is the collective investment in transferable securities and/or other liquid financial assets referred to in Regulation 68 of the Regulations of capital raised from the public and which operates on the principle of risk spreading.

The Company is structured as an umbrella fund with segregated liability between funds. The Articles provide that the Company may offer separate Classes of shares, each representing interests in a fund comprising a distinct portfolio of investments. In addition, each fund may be further divided into a number of different Classes within the fund. This Prospectus relates to the Company's fourth fund which is the Barclays Quantitative Merger Arbitrage US Fund in respect of which six Classes are being offered. With the prior approval of the Central Bank, the Company from time to time may create an additional fund or funds in which case a Supplemental Prospectus incorporating details relating to each fund will be issued by the Company. The creation of further share Classes shall be notified to and cleared by the Central Bank.

## INVESTMENT OBJECTIVE AND POLICIES

### Profile of a Typical Investor in the Fund

Investment in the Fund may be appropriate for investors who have a medium -term investment horizon. The Fund is not designed for investors who are unwilling to accept volatility, including the possibility of a decline in the value of their investment or are seeking to invest to meet short-term goals. Due to the relatively high level of leverage that may exist in the Fund, as described more fully below, a substantial minimum initial subscription amount has been imposed. This is designed to ensure that persons investing in the Fund can afford a decline in the value of their investment.

### Investment Objective and Policies of the Fund

The investment objective of the Fund is to generate a return close to the performance of the Index and possibly to outperform the Index depending on market conditions. The Index is Barclays Q-MA US Excess Return EUR Index, published net of Index Management Fees. There can be no assurance that the Fund will achieve its investment objective.

### Description of the Barclays Q-MA US Excess Return EUR Index (Bloomberg ticker: BXIIQMEE)

The Index is a rule based, systematic index which aims to provide investors with exposure to potential arbitrage opportunities arising from US mergers and acquisitions. The Index aims to provide an exposure to US merger and acquisition deals larger than \$500 million, which meet any two of the following: (i) the selected shares are in a public company listed on the New York Stock Exchange, The National Association of Securities Dealers Automated Quotations System (NASDAQ) or the American Stock Exchange and have exposure to the US; (ii) the announced value of the potential deal is no less than \$500 million and the consideration paid in respect of the potential deal is cash, cash and stock or stock; and (iii) the potential deal is one of the following: company takeover, tender offer (*ie* an offer to purchase some or all of the shares in a company, usually at a premium), cross-border merger, private equity (*ie* a direct purchase of shares in a private company), management buyout (*ie* where the executives of a company purchase shares in that company), squeeze out (*ie* where majority shareholders purchase minority shareholders' shares in a company, using their majority position to pressure minority shareholders into disposing of their shares), going private (*ie* the conversion of a publicly traded company into a private company), reverse merger (*ie* where a private company becomes publicly traded without an initial public offering), competing bid or leveraged buyout (*ie* where a significant amount of the purchase price of an acquisition is borrowed).

The index takes a long position in a basket of liquid, diversified and representative target company's stocks and takes a short position in the broad equity market to render the Index beta neutral.

- The Index is exposed to shares after a deal is announced and holds them until completion or termination of the deal.
- The long portfolio of shares is hedged with the S&P 500 Total Return Index.

Exposure to shares is driven by liquidity constraints (*ie* the availability of share in the market), potential downside in the deal (*ie* the risk that the deal will not proceed), the form of consideration to be received (*ie* cash, cash and stock, or stock) and the size of the target company and its acquirer.

With the aim of rendering the Index beta neutral, the Index provides a short position to the S&P 500 Total Return Index (Bloomberg Ticker: SPXT) using futures contracts to capture the difference between the performance of the selected long positions and the S&P 500 Total Return Index. On a daily basis, the beta of the long portfolio of target stocks to the S&P 500 Total Return Index over the last 15 Index Business Days is calculated and the short position is rebalanced accordingly subject to a maximum short position of 350%. The Index's short position on the S&P 500 Total Return Index is a dynamic hedging mechanism that seeks to respond to the different types of deals that may make up the long position of the Index (*ie* whether the deal is a cash, cash and stock, or stock deal). The Index attempts to limit the losses on each deal to 2% of the portfolio for a cash deal, scaled down to 1% for a stock deal. The maximum long portfolio leverage is limited to 150%. No deals are included if the long portfolio leverage exceeds 150%.

Barclays Bank PLC is the Index Sponsor and selects the Index components in accordance with the methodology of calculation of the Index, as amended from time to time.

A daily level for the Index will be calculated by the Index Sponsor. The index value will be published by the Index Sponsor as soon as reasonably possible on each Index Business Day, save on the occurrence of an Index Disrupted Day.

For more information on this index (methodology and publication) see the Index Sponsor's website <http://www.barcap.com/indices>.

In order to achieve this investment objective, the Investment Manager shall invest in an Excess Return Swap whereby the Fund will receive the performance of the Index (published net of Management Fees) increased by 0.75% per annum when that performance is positive and where the performance of the Index (published net of Management Fees) increased by 0.75% per annum is negative, the Fund will pay to the Excess Return Swap counterparty the amount by which the Index has fallen. The Fund's investments will not be swapped as part of this Excess Return Swap. Subject to Schedule III, the Investment Manager shall also invest in a portfolio of assets which shall comprise some or all of the following:

1. money market or short-term instruments such as government securities, bankers acceptances, certificates of deposit, open-ended collective investment schemes which are UCITS or UCITS equivalent money market funds or have a primary objective of investing in short-term investments (including government securities) and which are established in any EU jurisdiction. The amount which may be invested in such UCITS or UCITS equivalent money market funds may be greater than 20% of the Net Asset Value of the Fund. The Investment Manager shall also invest in bank loans (securitised or unsecuritised), subject to a maximum of 10%, all rated investment grade or deemed by the Investment Manager to be equivalent to investment grade, whose credit rating represents at least Moody's Baa3 or Standard & Poor's BBB-;
2. fixed and floating rate government bonds issued by any OECD member country, all rated investment grade at the buying date, or deemed by the Investment Manager to be equivalent to investment grade; and
3. equity securities including common stock, issued by issuers of any size that are domiciled in or are conducting the predominant portion of their economic activities in Europe, provided that not more than 20% of the Net Asset Value may be invested in issuers established in a country which is not a member country of the OECD and provided, further, that it is not proposed to concentrate investment in any one industry sector.

The Investment Manager may also enter into an equity swap whereby the capital gains and dividends arising from the equity investments made directly by the Fund may be swapped for a floating rate return. This will entail swapping the return on a basket of equity investments for a floating rate return based on EURIBOR rates or the Euro Overnight Index Average rate. The equity investments made by the Fund may differ from the constituents of the Index, but will comprise equities listed or traded on a Regulated Market in Europe.

If for any reason the Excess Return Swap is terminated at any time for whatever reason prior to the maturity of the swap, which might occur, for example, if the Index becomes illiquid, if the Index becomes non-UCITS compliant or if the Investment Manager is no longer capable of calculating the Index performance the Investment Manager may invest the proceeds of the swap in short term money securities and money market funds as described in 1 above. The equity swaps are likely to be liquid and unlikely to be terminated prior to maturity.

The Fund shall engage in foreign exchange transactions in order to hedge against currency fluctuations as set out in the section “Currency Transactions”.

The Fund’s investments will be limited to investments permitted by the Regulations which are described in more detail in Schedule III. The Regulated Markets in which the Fund may invest are listed in Schedule I. The Central Bank does not issue a list of approved markets or exchanges.

If the limits on investments contained in Schedule III are exceeded for reasons beyond the control of the Company it shall adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of Shareholders. Each Fund is also subject to the relevant investment policies as outlined herein and, in the case of a conflict between such policies and Schedule III, the more restrictive limitation shall apply.

If the Regulations are altered during the life of the Company, the investment restrictions may be changed to take account of any such alterations and Shareholders will be advised of such changes in the next succeeding annual or half-yearly report of the relevant Fund.

The Base Currency of the Fund is Euro.

The Fund will use absolute Value at Risk (“VaR”) to calculate its global exposure. The risk of loss to which the Fund may be exposed will be monitored and calculated daily using an absolute VaR model to ensure that the VaR of the Fund shall not exceed 20 per cent. of the Net Asset Value of the Fund, based on a 20 day holding period and a one-tailed 99 per cent. confidence interval using a 1 year observation period. The Fund will regularly monitor its leverage. The level of leverage of the Fund is not expected to exceed 800 per cent. of the Fund’s Net Asset Value when calculated using the sum of the notionals of the derivatives used in normal market conditions (corresponding to indirect exposure of 150 per cent. in the long position of the Index and 350 per cent. in the short position of the Index (giving a total indirect exposure through the Index of 500 per cent.) and direct exposure of 100 per cent. in excess return swaps, 100 per cent in currency forwards or swap hedging and 100 per cent in equity swaps). It is, however, possible that a higher level of leverage may exist in abnormal market conditions. Such higher leverage level is not expected to exceed 810 per cent. of the Fund’s Net Asset Value when calculated using the sum of the notionals of derivatives used directly by the Fund and indirectly by the Index. Such abnormal market conditions may include periods characterised by: (i) lack of liquidity, particularly in securities listed, traded or dealt on a Regulated Market, causing the Investment Managers to seek exposure in derivatives markets; (ii) volatility where the Investment Manager seeks to hedge or be opportunistic while respecting the investment policies and restrictions applicable to the Fund; or (iii) imperfect correlations and unanticipated market conditions. If the Fund uses a high amount of leverage, especially the higher amount permitted in exceptional circumstances, it may have greater losses that would have occurred absent the high leverage. The disclosed level of leverage is not intended to be an additional risk exposure limit for the Fund. Furthermore it is not intended that the leverage level itself be indicative of the risk profile of the Fund.

**Although the investment objective of the Fund is to generate a performance close to the performance of the Index and possibly to outperform the Index, published net of Index Management Fees, the Fund**

**will not replicate the composition and/or weighting of the securities of the Index. There is no guarantee that the Fund will achieve its objective.**

Any change in the investment objective and any material change in investment policies will be subject to the prior consent of Shareholders evidenced either by a majority vote at a meeting of Shareholders of the Fund or by the written consent of all of the Shareholders. In the event of a change in the investment objective and/or investment policy of a Fund a reasonable notification period shall be provided by the Company to the Shareholders to enable the Shareholders to redeem their shares prior to the implementation of the change.

### **Borrowings**

The Fund may not borrow money, grant loans or act as guarantor on behalf of third parties, except as follows:

1. foreign currency may be acquired by means of a back-to-back loan; and
2. borrowings not exceeding 10% of the total Net Asset Value of the Fund may be made on a temporary basis and the assets of the Fund may be charged as security for such borrowings.

### **Risk Management Process for Financial Derivative Instruments**

The Company employs a risk management process which enables it to accurately measure, monitor and manage the various risks associated with the financial derivative instruments used by the Fund. Any financial derivative instruments not included in the risk management process will not be utilised until such time as a revised risk management process incorporating such financial derivative instruments has been cleared by the Central Bank. The use of financial derivative instruments by the Fund should result in the Fund having the volatility characteristics of the Index. The Company will, on request, provide supplementary information to Shareholders relating to the risk management methods employed including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments. A list of the Regulated Markets on which the financial derivative instruments may be quoted or traded is set out in Schedule I.

### **Investment Techniques and Financial Derivative Instruments**

The Company may employ investment techniques and financial derivative instruments set forth below for investment purposes and for efficient portfolio management (namely for the purpose of reducing risk, reducing costs or generating additional capital or income for the Company). Any financial derivative instrument not included in the Fund's risk management process will not be utilised until such time as a revised risk management process incorporating such financial derivative instrument has been cleared by the Central Bank.

The Fund may purchase from time to time:

#### ***Swaps***

Swaps are contracts in which two parties agree to pay each other (swap) the returns derived from underlying assets with differing characteristics. Most swaps do not involve the delivery of the underlying assets by either party, and the parties might not own the assets underlying the swap. The payments are usually made on a net basis so that, on any given day, the Fund would receive (or pay) only the amount by which its payment under the contract is less than (or exceeds) the amount of the other party's payment. Swap agreements are sophisticated instruments that can take many different forms. Common types of swaps in which the Fund may invest include equity swaps, excess return swaps, interest rate swaps, total return swaps, total rate of return index swaps, credit default swaps, currency swaps, and caps and floors.

#### ***Forward Currency Exchange Contracts***

A forward currency exchange contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of the Fund is similar to selling securities

denominated in one currency and purchasing securities denominated in another currency. A contract to sell currency would limit any potential gain, which might be realised if the value of the hedged currency increases. A Fund may enter into these contracts to hedge against exchange risk, to increase exposure to a currency or to shift exposure to currency fluctuations from one currency to another. Suitable hedging transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in such transactions at any given time or from time to time. Also, such transactions may not be successful and may reduce any chance for a Fund to benefit from favourable fluctuations in relevant non-Euro currencies. The Fund may use one currency (or a basket of currencies) to hedge against adverse changes in the value of another currency (or a basket of currencies) when exchange rates between the two currencies are positively correlated.

### **Currency Transactions**

The Fund may hold active currency positions that are denominated in currencies other than the Base Currency and may be exposed to currency exchange risk. For example, changes in exchange rates between currencies or the conversion from one currency to another may cause the value of the Fund's investments to diminish or increase. Currency exchange rates may fluctuate over short periods of time. They generally are determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably by intervention (or the failure to intervene) by governments or central banks, or by currency controls or political developments. The Fund may, but is not obliged to, engage in foreign exchange transactions in order to hedge against currency fluctuations between its underlying investments and the Base Currency. If the currency in which a security is denominated appreciates against the Base Currency, the Base Currency value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security expressed in the Base Currency. The Fund's hedging transactions, while potentially reducing the currency risks to which the Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

In order to limit currency exposure between the currencies of the USD Class and GBP Class and the Euro, the relevant currencies of the USD Class and GBP Class may be hedged against the Euro provided that: (1) hedged positions will be kept under review to ensure that over-hedged positions do not exceed the permitted level; (2) it is in the best interests of the Shareholders to do so; (3) the over-hedged position will not exceed 105% of the Net Asset Value of the relevant Share Class or of the Net Asset Value of the Fund taking due account of the interests of the Fund's Shareholders; and (4) over or under hedged positions materially in excess of this limit will not be carried forward from month to month. While the Fund will attempt to hedge against this currency exposure, there can be no guarantee that the value of the USD Class or GBP Class will not be affected by the value of the Euro. Any costs related to such hedging shall be borne separately by the relevant Share Class and transactions will be clearly attributable to the relevant Share Class. All gains/losses which may be made by any Share Class as a result of such hedging transactions shall accrue to the relevant Share Class. To the extent that hedging is successful, the performance of the relevant Share Class is likely to move in line with the performance of the underlying Share Class. The use of class hedging strategies may substantially limit Shareholders of the relevant Share Class from benefiting if the currency of that Class falls against that of the Euro.

The Fund Base Currency is Euro. The Share Class as denominated in USD and in GBP shall be hedged; but a residual foreign exchange exposure may subsist. This residual shall not exceed 5% of the Net Asset Value of the Class.

### **Share Classes**

The Fund will have six share Classes: Class A 1, Class A2, Class B1, Class B2, Class C1 and Class C2. Further Classes may be added on notification to, and clearance by, the Central Bank. A separate pool of assets will not be maintained for each class within the Fund.

The applicable minimum initial investment may be waived or reduced at the discretion of the Directors, who may delegate the exercise of such discretion to the Investment Manager.

**Dividends**

It is proposed that the Fund will not declare or pay a dividend.

**RISK FACTORS**

**Investors' attention is drawn to the following risk factors. This does not purport to be an exhaustive list of the risk factors relating to an investment in the Company and investors' attention is drawn to the description of the instruments set out in the section entitled "Investment Objective and Policies".**

***Investment Risk***

There can be no assurance that the Fund will achieve its investment objective. The value of shares and the income therefrom may rise or fall as the capital value of the securities in which the Fund invests may fluctuate. The investment income of the Fund is based on the income earned on the securities it holds, less expenses incurred. Therefore, the Fund's investment income may be expected to fluctuate in response to changes in such income or expenses. There is the risk that the swaps which are entered into to achieve the returns of the Index may be terminated prior to their maturity or may be subject to a default on the part of a counterparty, so the Fund may not receive the expected returns.

The Fund will not be able to replicate exactly the performance of the relevant Index because the total return generated by the investment will be reduced by certain costs and expenses whereas such costs and expenses are not included in the calculation of the relevant Index. The limits on the investments made by the Fund imposed by the Regulations may also mean that the Fund may not fully replicate the performance of the relevant Index if the concentration or type of investments in the Index contravene those limits.

***Index Risk***

There is no assurance that the Index will continue to be calculated and published on the basis described in this Prospectus, or it will continue to be UCITS compliant or that it will not be amended significantly. The past performance of the Index is not a reliable indication of future results

The Index Sponsor is neither the issuer nor the producer of the Fund and the Index Sponsor has no responsibilities, obligations or duties to investors in the Fund. The Fund is not sponsored, endorsed, sold or promoted by the Index Sponsor. The Index is a trademark owned by the Index Sponsor and licensed for use by the Fund. While the Fund may for itself execute transaction(s) with the Index Sponsor in or relating to the Index in connection with the Fund, investors neither acquire any interest in the Index nor enter into any relationship of any kind whatsoever with the Index Sponsor upon making an investment in the Fund. The Index Sponsor makes no representation regarding the advisability of the Fund or use of the Index or any data included therein. The Index Sponsor shall not be liable in any way to the Fund, investors or to other third parties in respect of the use or accuracy of the Index or any data included therein. The Index Sponsor is under no obligation to take the needs of the Company, the Fund or the Shareholders into consideration in determining, composing or calculating the Index and is under no obligation to continue to determine, compose or calculate the Index indefinitely.

***Lack of Operating History***

The Fund is newly formed and has no operating history upon which investors can evaluate their likely performance. The past investment performance of the Investment Manager and its affiliates may not be construed as an indication of the future results of an investment in the Fund. There can be no assurance that the Funds will achieve their investment objective.

***Reliance on Management***

Investment decisions will be made for the Fund by the Investment Manager. The success of the Fund will depend on the ability of the Investment Manager to identify suitable investments and to dispose of such investments at a profit. There can also be no assurance that all of the personnel of the Investment Manager will continue to be associated with the Investment Manager for any length of time. The loss of the services of one or more employees of the Investment Manager could have an adverse impact on the Fund's ability to realise its investment objective.

### ***Equity Market Risk***

The Fund is subject to equity market risk. Equity risk is the risk that a particular share, a fund, an industry, or shares in general may fall in value. The value of investments in the Fund will go up and down with the prices of securities in which the Fund invests. The prices of stocks change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, demand for an issuer's products or services, production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

### ***Initial Public Offering Risk***

The Fund may invest in initial public offerings. Securities purchased by the Fund in initial public offerings shall be valued on the basis of the probable realisation value of such securities. There may be significant volatility in the probable realisation value in the period following the initial public offering.

### ***Volatility Risk***

Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, speculation, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events, climate, changes in interest rates, and the inherent volatility of the market place. Volatility may also be due to the fluctuations in the exchange rate of currencies. During periods of uncertain market conditions the combination of price volatility and the less liquid nature of securities markets may, in certain cases, affect a Fund's ability to acquire or dispose of securities at the price and time it wishes to do so, and consequently may have an adverse impact on the investment performance of the Fund.

### ***Credit Ratings Risk***

The ratings of fixed-income securities by Moody's and Standard & Poor's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating on an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. There is frequently a lag between the time the rating is assigned and the time it is updated. In addition, there may be varying degrees of difference in credit risk of securities within each rating category. In the event of a down-grading of the credit rating of a security or an issuer relating to a security, the value of a Fund investing in such security may be adversely affected.

### ***Trading in Derivatives***

The prices of all derivative instruments, are highly volatile. Price movements are influenced by, among other things, interest rates, changing supply and demand relationships giving rise to liquidity risks, trade, fiscal, monetary and exchange control programmes and policies of governments, legal risks and national and international political and economic events and policies. The value also depends upon the price of the securities underlying them. The Fund also is subject to the risk of the failure of any of the exchanges on which these instruments are traded or of their clearing houses. The following is a more detailed description of the risks associated with the use of derivatives.

### ***Risks associated with the measurement of a Fund's leverage using VaR***

The Barclays Quantitative Merger Arbitrage US Fund uses the VaR approach to measure leverage. VaR is a statistical methodology that seeks to predict, using historical data, the likely maximum loss that a Fund could suffer, calculated to a specific (e.g., "one tailed" 99 per cent) confidence level. The Fund will use an "absolute" VaR model where the measurement of VaR is relative to the Net Asset Value of the Fund. A VaR model has certain inherent limitations and it cannot be relied upon to predict or guarantee that the size or frequency of losses incurred by a Fund will be limited to any extent. As the VaR model relies on historical market data as one of its key inputs, if current market conditions differ from those during the historical observation period, the effectiveness of the VaR model in predicting the VaR of a Fund may be materially impaired. Investors may suffer serious financial consequences under abnormal market conditions. The effectiveness of the VaR model could be impaired in a similar fashion if other assumptions or components comprised in the VaR model prove to be inadequate or incorrect.

The Fund is subject to an absolute VaR limit of 20 per cent. of the Fund's Net Asset Value, based on a 20 day holding period and a "one tailed" 99 per cent confidence interval. However, the Fund may from time to

time experience a change in Net Asset Value over a 20 day holding period greater than 20 per cent of Net Asset Value.

In addition to using the VaR approach, the Investment Manager will monitor leverage levels on a daily basis to monitor changes due to market movements. In addition, the Investment Manager shall carry out pre-trade testing to consider the impact that the trade would have on the Fund's overall leverage and to consider the risk/reward levels of the trade.

#### ***Counterparty risk***

The Fund may enter into transactions in over-the-counter markets that expose it to the credit risk of its counterparties and their ability to satisfy the terms of such contracts. Where the Fund enters into over-the-counter arrangements, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of the bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the position and may incur significant losses. There is also a possibility that ongoing derivative transactions may be terminated unexpectedly as a result of events outside the control of the Company, for instance, bankruptcy, supervening illegality or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the policy of the Company to net exposures against its counterparties therefore limiting potential loss.

#### ***Leverage component risk***

Since many derivative instruments have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivative instruments have the potential for unlimited loss regardless of the size of the initial investment. If there is default by the other party to any such transaction, there will be contractual remedies; however, exercising such contractual rights may involve delays or costs which could result in the value of the total assets of the related portfolio being less than if the transaction had not been entered.

#### ***Liquidity risk***

Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

#### ***Forward currency exchange contract risk***

The Fund may enter into currency exchange transactions by buying currency exchange forward contracts for the purposes of hedging against currency exposure or for investment purposes.

The Fund may enter into forward contracts to hedge against a change in currency exchange rates that would cause a decline in the value of the existing investments denominated or principally traded in a currency other than the Base Currency of that Fund. To do this, the Fund would enter into a forward contract to sell the currency in which the investment is denominated or principally traded in exchange for the Base Currency of the Fund. Although these transactions are intended to minimise the risk of loss due to a decline in the value of the hedged currency, at the same time they limit any potential gain that might be realised should the value of the hedged currency increase. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities will change as a consequence of market movements in the value of such securities between the date when the forward contract is entered into and the date when it matures. The successful execution of a hedging strategy which matches exactly the profile of the investments of the Fund cannot be assured.

The use of class hedging strategies by the Fund may also substantially limit Shareholders of the relevant share Class from benefiting if the currency of that share Class falls against that of the Euro.

It may not be possible to achieve a complete hedge of the currency risks. There is a risk that the currencies of some instruments could weaken against the USD or GBP share classes. Depending on the Fund's

transactions, weakening (in case of a purchase) or strengthening (in case of the sale) of a currency against the Euro may result in a fall in the Net Asset Value.

***Risks associated with swaps***

The Fund may enter into swap agreements. Whether the Fund's use of swap agreements will be successful will depend on the ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments.

Payments under a swap contract may be made at the conclusion of the contract or periodically during its term. If there is a default by the counterparty to a swap contract the Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that swap contract counterparties will be able to meet their obligations pursuant to swap contracts or that, in the event of default, the Fund will succeed in pursuing contractual remedies. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to swap contracts.

***Leverage risk***

With certain types of investments or trading strategies, relatively small market movements may result in large changes in the value of an investment. Certain investments or trading strategies that involve leverage can result in losses that greatly exceed the amount originally invested.

***Position (market) risk***

There is a possibility that derivative instruments will be terminated unexpectedly as a result of events outside the control of the Company, for instance, bankruptcy, supervening illegality or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the policy of the Company to net exposures against its counterparties.

***Correlation risk***

Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, the Fund's use of derivative techniques may not always be an effective means of, and sometimes could be counterproductive to, the Fund's investment objective. An adverse price movement in a derivative position may require cash payments of variation margin by the Fund that might in turn require, if there is insufficient cash available in the portfolio, the sale of the Fund's investments under disadvantageous conditions.

***Other risks***

There are legal risks involved in using derivative instruments which may result in loss due to the unexpected application of a law or regulation or because contracts or clauses therein are not legally enforceable or documented correctly.

***Temporary Suspension***

Investors are reminded that in certain circumstances their right to repurchase or convert shares may be temporarily suspended.

***Umbrella structure of the Company and Cross-Liability Risk***

The Fund will be responsible for paying its fees and expenses regardless of the level of its profitability. The Company is an umbrella fund with segregated liability between funds and under Irish law the Company generally will not be liable as a whole to third parties and there generally will not be the potential for cross liability between the funds. Notwithstanding the foregoing, there can be no assurance that, should an action be brought against the Company in the courts of another jurisdiction, the segregated nature of the funds would necessarily be upheld.

***Risks Associated with Investment in other Collective Investment Schemes***

The Fund may invest in one or more collective investment schemes, including schemes managed by the Investment Manager or its affiliates. As a shareholder of another collective investment scheme, the Fund would bear, along with other shareholders, its pro rata portion of the expenses of the other collective scheme, including management and/or other fees. These fees would be in addition to the management fees and other

expenses which the Fund bears directly in connection with its own operations. The maximum level of management fees (exclusive of any performance fee) which may be charged to a collective investment scheme in which the Fund invests is 2% per annum of the net asset value of that scheme.

***Taxation***

Potential investors' attention is drawn to the taxation risks associated with investing in the Company. See section entitled "Taxation".

***Political Risks***

The performance of the Fund may be affected by changes in economic and market conditions, uncertainties such as political developments, changes in government policies, the imposition of restrictions on the transfer of capital and in legal, regulatory and tax requirements.

## FEES, COSTS AND EXPENSES

The Fund shall pay all of its fees, costs and expenses and its due proportion of any costs and expenses of the Company allocated to it. These fees, costs and expenses may include the fees, costs and expenses of (i) management, administration, custodial, advisory, distribution and other third party services, (ii) preparation, printing and posting of prospectuses and other offering documents and sales material, memoranda and articles of association and reports to Shareholders, the Central Bank and governmental agencies, (iii) taxes (including stamp duty), (iv) commissions and brokerage fees, (v) auditing, tax and legal fees, (vi) insurance premiums, (vii) the costs of appointing local representatives and paying agents in other jurisdictions and all costs and expenses incidental thereto, and (viii) certain other operating expenses. The Articles provide that the aggregate remuneration of the Directors shall not exceed euro 50,000 *per annum* (plus Value Added Tax, if any) and all borne by the Company. The fees, costs and expenses of the Fund are set out below. The costs of establishing the Fund and of registering the Fund in other jurisdictions shall be borne by the Fund and are not expected to exceed €60,000 and will be amortised over a three year period.

The Company shall pay to the Investment Manager up to 0.31% *per annum* (plus Value Added Tax, if any, payable by the Investment Manager or any service provider where fees are discharged by the Investment Manager) of the Net Asset Value of the Fund out of which the Investment Manager shall discharge the fees and expenses of the Administrator and the Custodian and any sub-custodial fees and expenses.

The counterparty to the Fund's Excess Return Swap shall be Barclays Bank PLC.

Certain Classes of the Fund shall pay an annual placement fee to the Distributor and an annual distribution fee to the Distributor and/or any sub-distributor that may be appointed by the Distributor in respect of the Fund, as set out in the section entitled "Subscribing for Shares".

All of the fees shall be calculated daily and shall accrue daily by reference to the Net Asset Value of a Fund on the last Dealing Day and shall be payable monthly or quarterly in arrears.

## MANAGEMENT AND ADMINISTRATION

### **The Board of Directors and Secretary**

The Directors control the affairs of the Company and are responsible for the overall investment policy. The Directors may delegate certain functions to the Administrator and the Investment Manager. The Company shall be managed and its affairs supervised by the Directors whose details (including country of residence) are set out below. The Directors are all non-executive directors. The address of the Directors is the registered office of the Company.

**Valerie Baudson** (French) has been Managing Director of Amundi's ETF division and is a member of the Executive Committee of the Investment Manager and of the Senior Management Committee of the Amundi Group since 2008. From 2000 to 2007 she was successively Corporate Secretary and Marketing Director of Credi Agricole Cheuvreux, a European stock brokerage firm. From 1995 to 1999 she was Audit Manager at Banque Indosuez Investment Bank. She majored in Finance from HEC Business School in France.

**Natacha Mercier** (French) is Managing Director, Finance and Administrative Department of the Investment Manager. Mrs. Mercier has been Managing Director with global responsibility for Finance, Legal, Tax, Human Resources, Compliance and Corporate Secretary of the Investment Manager since September 2005 and is a member of the Executive Committee. Mrs. Mercier joined the Crédit Agricole Group as General Secretary of Equalt Alternative Asset Management where she was in charge of the Tax and Legal, Finance and IT departments. Previously, Mrs. Mercier worked as Head of Tax and Legal at Banque CPR from 1991 to 2001. From 1985 to 1990 Mrs. Mercier worked as a Tax and Legal Advisor and Project Manager with Ernst & Young. Mrs. Mercier is a graduate of the University of Paris X Nanterre with a Master's degree in Tax and Legal Issues and the Regulation of Business Practices.

**Carl O'Sullivan** (Irish), is a partner in the firm of Arthur Cox, the legal adviser to the Company, where he specialises in financial services law. He qualified as a solicitor in 1983 and was employed as a legal adviser with Irish Distillers Group p.l.c. from 1983 to 1987 and Waterford Wedgewood p.l.c. from 1987 to 1990. He joined Arthur Cox in 1990. He is a director of a number of companies operating in the International Financial Services Centre.

**Adrian Waters** (Irish), resident in Ireland, is a Fellow of The Institute of Chartered Accountants in Ireland. He has been awarded Chartered Director status by the UK Institute of Directors. He is the Principal of Fund Governance Solutions, an independent funds consultancy. He has over 20 years' experience in the funds industry. From 1993 to 2001, he held various executive positions within The BISYS Group, Inc. (now part of the Citi Group), including Chief Executive Officer of BISYS Fund Services (Ireland) Limited and finally as Senior Vice President – Europe for BISYS Investment Services out of London. From 1989 to 1993, he was employed by the Investment Services Group of PricewaterhouseCoopers in New York and prior to that by Oliver Freaney and Company, Chartered Accountants, in Dublin. Mr. Waters holds a Bachelor of Commerce degree and a Post Graduate Diploma in Corporate Governance both received from University College Dublin in 1985 and 2005, respectively. He is an independent director of several other investment funds.

**Fadi Youssef** (French) has been employed by the Investment Manager (formerly known as Credit Agricole Structured Asset Management) since 2004, where he has acted as deputy head of the investment solutions team, deputy head of the international structuration team and head of the hybrid portfolio management team. Prior to his employment at the Investment Manager, he worked for Credit Lyonnais Asset Management from 1996 to 2004.

No Director has:

- (i) any unspent convictions in relation to indictable offences; or
- (ii) been bankrupt or the subject of an involuntary arrangement or has had a receiver appointed to any asset of such Director; or

- (iii) been a director of any company which, while he was a director with an executive function, or within 12 months after he ceased to be a director with an executive function, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangements, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- (iii) been a partner of any partnership, which while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- (iv) had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- (v) been disqualified by a court from acting as a director or from acting in the management or conduct of affairs.

The Articles do not stipulate a retirement age for Directors and do not provide for retirement of Directors by rotation.

The Articles provide that a Director may be a party to any transaction or arrangement with the Company or in which the Company is interested provided that he has disclosed to the Directors the nature and extent of any material interest which he may have. A Director may not vote in respect of any contract in which he has a material interest. However, a Director may vote in respect of any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he is not the holder of 5 % or more of the issued shares of any class of such company or of the voting rights available to members of such company. A Director may also vote in respect of any proposal concerning an offer of shares in which he is interested as a participant in an underwriting or sub-underwriting arrangement and may also vote in respect of the giving of any security, guarantee or indemnity in respect of money lent by the Director to the Company or in respect of the giving of any security, guarantee or indemnity to a third party in respect of a debt obligation of the Company for which the Director has assumed responsibility in whole or in part.

The company secretary is Bradwell Limited.

#### **The Administrator**

BNY Mellon Fund Services (Ireland) Limited has been appointed by the Company to carry on the general administration of the Company pursuant to the Administration Agreement and to act as the registrar and transfer agent. It will be responsible for dealing with the administration of the Company, and will receive all applications, repurchase requests and other correspondence on behalf of the Company and will calculate the Net Asset Value of the Company.

The Administrator was incorporated in Ireland as a limited liability company on 31 May 1994 specifically for the purpose of providing administrative services to collective investment schemes.

The Administration Agreement may be terminated by either party giving ninety days' notice to the other party or at any time in the event that a petition for an examiner or similar officer is made in respect of the other party or a receiver is appointed over all or a substantial part of the other party's undertaking, assets or revenues or in the event of a material breach by the other of the provisions of the Administration Agreement which is incapable of remedy or has not been remedied within thirty days' notice of the breach or if either party is unable to pay its debts as they fall due or otherwise becomes insolvent or enters into any composition or arrangement with or for the benefit of any creditors or class of creditors or in the event that either party is the subject of an effective resolution for its winding up or is the subject of a court order for its winding up. The Company may terminate the Administration Agreement if the Administrator is no longer permitted to perform its obligations under any applicable law. The Administrator may terminate the Administration Agreement at any time if the Company's authorisation is revoked by the Central Bank.

The Administrator shall not be liable for any loss, damage or expense arising out of or in connection with the performance by it of its duties, obligations and responsibilities under the Administration Agreement otherwise than by reason of its negligence, wilful default, or fraud, in the performance of its duties, obligations and responsibilities under the Administration Agreement.

### **The Custodian**

The Custodian is BNY Mellon Trust Company (Ireland) Limited, a liability limited company incorporated in Ireland on 13 October 1994. The Custodian is engaged in the provision of trustee and custodial services to the Company and is authorised by the Central Bank under the Investment Intermediaries Act, 1995.

The Custodian Agreement provides that the Custodian may retire or resign upon not less than ninety days' notice to the Company or at any time upon the Company going into liquidation (except for the purposes of reconstruction and amalgamation upon terms approved by the Custodian) or the Company being unable to pay its debts or in the event of the appointment of a receiver or examiner over any of the Company's assets or if the Company commits a material breach of its obligations and (if such breach is capable of remedy) fails within thirty days of notice to make good such breach provided that such retirement or resignation shall not take effect until a successor custodian is appointed having been approved by the Central Bank or the Company's authorisation is revoked by the Central Bank. The Company may terminate the appointment of the Custodian if the same events as described above occur in relation to the Custodian or on giving not less than ninety days' notice to the Custodian or if the Custodian's tax certificate issued pursuant to section 446 of the Taxes Consolidation Act, 1997, as amended is revoked, the Custodian ceases to be authorised to act as a custodian or is unable to perform its functions under the Custodian Agreement under applicable law. The Custodian will be liable to the Company and the Shareholders for any loss suffered by them as a result of its unjustifiable failure to perform its obligations or the improper performance of them.

The Custodian may entrust some or all of the assets of a Fund to a sub-custodian or sub-custodians provided that the liability of the Custodian shall not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Company and the Custodian acknowledge that the Central Bank considers that in order for the Custodian to discharge this responsibility the Custodian must exercise care and diligence in choosing and appointing a third party as a safe-keeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned. The Custodian must maintain an appropriate level of supervision over the safe-keeping agent and make appropriate inquiries from time to time to confirm that the obligations of the agent continue to be competently discharged. This does not purport to be a legal interpretation of the Regulations or the corresponding provisions of the UCITS Directive.

### **The Promoter and Investment Manager**

The Company's Promoter and Investment Manager is Amundi Investment Solutions (formerly known as Crédit Agricole Structured Asset Management). It was authorised as an asset management company by the French monetary authority, the *Autorité des Marchés Financiers*, on 1 September 2005 and is a wholly owned subsidiary of the Amundi Group. The Company's Promoter and Investment Manager changed its name from Crédit Agricole Structured Asset Management to Amundi Investment Solutions on 31 December 2009. From 1 September 2005 Crédit Agricole Structured Asset Management took over the management of the activities previously carried out by Equalt Alternative Asset Management S.A. and by the structured management divisions of Amundi (formerly known as Crédit Agricole Asset Management). As of 31 August 2011 Amundi Investment Solutions had assets under management of over EUR 56.5 billion and paid up share capital of EUR 78,077,120.

The Company has delegated responsibility for the investment and re-investment of the Fund's assets to the Investment Manager, pursuant to the Investment Management and Distribution Agreement. The Investment Manager will be responsible to the Company in regard to the investment management of the assets of the Fund in accordance with the investment objectives and policies described in this Prospectus (as it may be amended or supplemented from time to time) subject always to the supervision and direction of the Directors. The Investment Management and Distribution Agreement provides that subject to the prior approval of the Company and in accordance with the requirements of the Central Bank's Notices, the

Investment Manager shall be entitled to delegate all or part of its investment management functions to one or more investment advisers, sub-investment managers, or other delegates duly appointed by the Investment Manager provided that the Investment Manager shall remain liable for the acts or omissions of any such investment adviser, sub-investment manager or other delegate appointed by it as if such acts or omissions were its own.

The Investment Manager shall not be liable to the Fund and the Shareholders in the absence of the fraud, bad faith, wilful default, recklessness or negligence on the part of the Investment Manager in respect of its obligations or functions under the Investment Management and Distribution Agreement. The Investment Management and Distribution Agreement provides for the appointment of the Investment Manager for an initial period of one year unless terminated for the reasons set out below and shall continue thereafter unless terminated by either party on not less than ninety days' notice to the other or for the reasons set out below. The Investment Management may be terminated at any time immediately by either party in the event that the other party goes into liquidation or is unable to pay its debts or commits an act of bankruptcy or a receiver is appointed over the assets of the other party or some event having equivalent effect occurs or an examiner, administrator or similar person is appointed to the other party or the other party commits a material breach of the Investment Management and Distribution Agreement and fails to remedy a breach of the Investment Management and Distribution Agreement (if such breach is capable of remedy) within thirty days of being requested to do so or the Investment Manager ceases to be permitted under applicable law to act as such under any applicable laws or regulations.

#### **The Distributor**

Pursuant to a distribution agreement the Company has appointed Barclays Bank plc as a distributor of the Fund. Further distributors may be appointed either directly by the Company or by the Promoter and Investment Manager. Appointments of distributors may be terminated at any time on not more than thirty days' notice in writing by either party and may provide for indemnification by the Company except in the case of a distributor's negligence.

The Company, the Investment Manager, the Distributor or their duly authorised delegates may appoint such paying agents and local representatives as may be required to facilitate the authorisation or registration of the Company, the Fund and/or the marketing of any of the shares in any jurisdictions.

Local regulations in EEA countries may require the appointment of paying agents and the maintenance of accounts by such agents through which subscriptions and redemption monies may be paid. Investors who choose or are obliged under local regulations to pay/receive subscription/redemption monies via an intermediary entity rather than directly to/from the Administrator or the Custodian (e.g. a sub-distributor or agent in the local jurisdiction) bear a credit risk against that intermediate entity with respect to (a) subscription monies prior to the transmission of such monies to the Administrator or the Custodian for the account of the Fund and (b) redemption monies payable by such intermediate entity to the relevant investor. The fees of sub-distributors and paying agents will be borne by the relevant Fund and shall be at normal commercial rates.

## ADMINISTRATION OF THE COMPANY

### Determination of the Net Asset Value

The Administrator shall determine the Net Asset Value per share of the Fund on each Dealing Day and that will be published at 6.00 p.m. (Irish time) on each following Dealing Day. The Net Asset Value per share in each fund shall be calculated by dividing the assets of that fund, less its liabilities, by the number of shares in issue in respect of that fund. The number of shares is adjusted to the nearest two decimal points and the Net Asset Value per share is adjusted to the nearest two decimal points. Any liabilities of the Company which are not attributable to any fund shall be allocated *pro rata* amongst all of the funds according to their respective Net Asset Values. A fund may comprise of more than one class of shares and the Net Asset Value per share may differ between Classes in a fund. The currency transactions, respectively in GBP and in USD, shall be attributable to the GBP and USD Classes. Where a fund is made up of more than one Class of shares, the Net Asset Value of each Class shall be determined by calculating the amount of the Net Asset Value of the fund attributable to each Class. The amount of the Net Asset Value of a fund attributable to a Class shall be determined by establishing the value of shares in issue in the Class and by allocating relevant fees and expenses to the Class and making appropriate adjustments to take account of distributions paid out of the fund, if applicable, and apportioning the Net Asset Value of the fund accordingly. The Net Asset Value per share of a Class shall be calculated by dividing the Net Asset Value of the Class by the number of shares in issue in that Class. The value of the assets of a fund shall be the value of the securities held by a fund at the close of business on the exchange on which the security is traded on the Business Day preceding the Dealing Day and shall be determined as set out below.

Assets listed or traded on a Regulated Market (other than those referred to below) for which market quotations are readily available shall be valued at the official close of business price on the principal Regulated Market for such investment on a Dealing Day, provided that the value of the investment listed on a Regulated Market but acquired or traded at a premium or at a discount outside or off the relevant stock exchange or an over-the-counter market may be valued taking into account the level of premium or discount as at the date of valuation of the investment with the approval of the Custodian.

If for specific assets the official close of business prices do not, in the opinion of the Administrator, reflect their fair value or if prices are unavailable, the value shall be calculated with care and in good faith by the Administrator, approved for that purpose by the Custodian, on the basis of the probable realisation value for such assets as at the close of business on the relevant Dealing Day.

If the assets are listed or traded on several Regulated Markets, the official close of business prices on the Regulated Market which, in the opinion of the Administrator, constitutes the main market for such assets, will be used.

In the event that any of the investments on the relevant Dealing Day are not listed or traded on any Regulated Market and for which market quotations are not readily available, such investments shall be valued at their probable realisation value determined by the Administrator (the Administrator being approved by the Custodian as a competent person for such purpose) with care and in good faith. Such probable realisation value will be determined:

- (i) by using the original purchase price;
- (ii) where there have been subsequent trades with substantial volumes, by using the last traded price provided that the Administrator considers such trades to be at arm's length;
- (iii) where the Administrator believes the investment has suffered a diminution in value, by using the original purchase price which shall be discounted to reflect such a diminution; and
- (iv) where the Administrator believes a mid quotation from a broker is reliable, by using such a mid quotation or, if unavailable, a bid quotation.

Alternatively, the Administrator may use such probable realisation value estimated with care and in good faith as may be recommended by a competent professional appointed by the Administrator and who is approved by the Custodian as a competent person for such purpose.

Cash and other liquid assets will be valued at their face value with interest accrued, where applicable.

Shares or units in open-ended collective investment schemes will be valued at the latest available net asset value; shares or units in closed-ended collective investment schemes will, if listed, quoted or traded on a Regulated Market, be valued at the latest quoted trade price or a mid quotation (or, if unavailable, a bid quotation) or, if unavailable or unrepresentative, the latest available net asset value as deemed relevant to the collective investment scheme.

Prices of securities traded on a Regulated Market but acquired or traded at a premium or discount thereon shall be provided by an independent broker or market maker or, if such prices are unavailable, by a competent person approved for such purpose by the Custodian and such securities shall be valued based on the prices so provided. However, the Administrator may adjust the value of such investments if it considers such adjustment is required to reflect the fair value thereof in the context of currency, marketability and such other considerations which are deemed relevant.

Any value expressed otherwise than in Euro (whether of an investment or cash) and any non-Euro borrowing shall be converted into Euro at the rate (whether official or otherwise) which the Administrator deems appropriate in the circumstances.

The counterparty to derivative instruments not traded on an exchange must be prepared to value the contract and to close out the transaction at the request of the Company at fair value. The Company may choose to value over the counter derivatives using either the counterparty valuation or an alternative valuation, such as a valuation calculated by the Company or by an independent pricing vendor provided the Company must value over the counter derivatives on a daily basis. Where the Company values over the counter derivatives using the counterparty valuation, the valuation must be approved or verified by a party who is approved for the purpose by the Custodian and who is independent of the counterparty. The independent verification must be carried out at least weekly. Where the Company values over the counter derivatives using an alternative valuation the Company must follow international best practice and will adhere to the principles on the valuation of over the counter instruments established by bodies such as the International Organisation of Securities Commissions (IOSCO) and the Alternative Investment Management Association (AIMA). The alternative valuation is that provided by a competent person appointed by the Directors and approved for the purpose by the Custodian, or a valuation by any other means provided that the value is approved by the Custodian. The alternative valuation will be reconciled to the counterparty valuation on a monthly basis. Where significant differences arise these will be promptly investigated and explained. Forward foreign exchange and interest rate swap contracts can be valued in accordance with this paragraph or, alternatively, by reference to freely available market quotations. If the latter is used, there is no requirement to have such prices independently verified or reconciled to the counterparty valuation

In the event of it being impossible or incorrect to carry out a valuation of a specific investment in accordance with the valuation rules set out above, or if such valuation is not representative of the fair market value in the context of currency, marketability and such other considerations which are deemed relevant, the Administrator is entitled to use other generally recognised valuation methods in order to reach a proper valuation of that specific investment, provided that such method of valuation has been approved by the Custodian.

## Procedures for Subscriptions and Repurchases

### Subscribing for shares

#### *Classes of Shares*

Shares shall be offered in the following classes:

<b>Share Class</b>	<b>Currency</b>	<b>Initial Offer Price</b>	<b>Minimum Initial Subscription</b>	<b>Annual Placement Fee</b>	<b>Annual Distribution Fee</b>
Class A1	Euro	Euro 1,000	Euro 5,000,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class A2	Euro	Euro 1,000	Euro 100,000	Up to 0.50% per annum of the Net Asset Value of the Class	Up to 0.75% per annum of the Net Asset Value of the Class
Class B1	GBP	GBP 1,000	GBP 5,000,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class B2	GBP	GBP 1,000	GBP equivalent of Euro 100,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class C1	USD	USD 1,000	USD 5,000,000	Up to 0.50% per annum of the Net Asset Value of the Class	None
Class C2	USD	USD 1,000	USD equivalent of Euro 100,000	Up to 0.50% per annum of the Net Asset Value of the Class	Up to 0.75% per annum of the Net Asset Value of the Class

The Initial Offer Period for each Class shall commence on 1 June 2012 or on such other date as the Directors may determine in accordance with the requirements of the Central Bank.

#### *Subscription Price*

The subscription price per share of the Fund during the Initial Offer Period shall be Euro 1,000.00 in the case of the Euro Classes, USD 1,000.00 in the case of the USD Classes and GBP 1,000.00 in the case of the GBP Classes. Thereafter shares shall be issued at their Net Asset Value per share on each Dealing Day. The initial minimum subscription may be waived by the Directors, the Investment Manager or the Distributor in their sole and absolute discretion from time to time.

Applications for shares may be made to the Administrator by fax before 9.00am (Irish time) on any Dealing Day and will, if accepted, be dealt with on the relevant Dealing Day, provided that the subscription monies must be received within three Business Days of the Dealing Day. Investors who subscribe through a Paying Agent or a Distributor should contact the Paying Agent or Distributor to determine the time by which subscription applications must be received. If the subscription monies are not received within three Business Days of the Dealing Day the subscription will be cancelled without prejudice to any claim which the Company may have against the applicant for shares.

Applications for subscriptions received by the Administrator on any Dealing Day before 9.00am on the Dealing Day will be processed by the Administrator for that Dealing Day. Any applications received after that time will normally be held over until the next Dealing Day.

The Directors, the Investment Manager and the Administrator each reserve the right to reject in whole or in part any application for shares and the Fund may be closed for applications temporarily at the discretion of above parties. Once completed applications have been received by the Administrator, the Administrator will issue a written contract note or confirmation of ownership to successful applicants after receipt of the completed Subscription Agreement and, if required, all information and documentation requested by the Administrator to verify the identity of the applicant. Such contract note will usually be issued within two Business Days after the Dealing Day.

Where an application for shares is rejected, the cash amount shall be returned to the applicant within fourteen days of the date of such application after deducting any expenses incurred by the Administrator in considering the application.

The Administrator also reserves the right to request further details from an applicant for shares. Each applicant must notify the Administrator of any change in their details and furnish the Administrator with whatever additional documents relating to such change as it may request.

Measures aimed at the prevention of money laundering require an applicant to provide verification of identity to the Administrator. This obligation arises unless (i) the application is being made through a recognised financial intermediary; or (ii) payment is made through a banking institution, which in either case is in a country with anti-money laundering regulations equivalent to those in Ireland and both entities have provided a letter of undertaking confirming they have carried out due diligence checks on the registered Shareholder and otherwise in compliance with the relevant anti-money laundering regulations.

The Administrator will notify applicants if proof of identity is required. By way of example, an individual may be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public, the police or the ambassador in his country of residence, together with two items of evidence of the applicant's address, such as two utility bills and/or bank statements. In the case of corporate applicants, this may require production of a certified copy of the certificate of incorporation (and any change of name), by-laws, memorandum and articles of association (or equivalent), and the names and addresses of all directors and beneficial owners.

It is further acknowledged that the Administrator shall be held harmless by the applicant against any loss arising as a result of a failure to process the subscription if such information as has been requested by the Administrator has not been provided by the applicant.

Fractional shares will be issued to the nearest one hundredth of a share.

### ***Confirmations***

Shares will not be issued until such time as the Administrator is satisfied with all the information and documentation required to identify the applicant and is satisfied that the cash amount have been received by it. Shares will be provisionally allotted to an applicant and will only be registered in the applicant's name once these matters have been fulfilled. This may result in shares being registered in the applicant's name subsequent to the Dealing Day on which an applicant initially wished to have shares issued to him.

A written confirmation of ownership will be sent to the applicant two Business Days after the Dealing Day. Although authorised to do so under the Articles, the Company does not propose to issue share certificates or bearer shares.

## **Repurchase of shares**

### ***Repurchase Price***

Shares shall be repurchased at the applicable Net Asset Value per share on the Dealing Day on which the repurchase is effected.

### ***Procedure for Repurchases***

Applications for the repurchase of shares may be made to the Administrator before 9.00am (Irish time) on any Dealing Day by forwarding a properly completed repurchase form to the Administrator by facsimile (with the original to follow by post). Shareholders who wish to have their shares repurchased through a Paying Agent or Distribution should contact the Paying Agent or Distributor to determine the time by which repurchase requests must be received.

Cash redemptions will be transferred directly to the Shareholder through a wire transfer system generally by the third Business Days, but in any event within 10 Business Days of the Dealing Day.

Payment will be made in the currency in which the class of shares being repurchased is denominated by direct transfer, at the Shareholder's risk and cost, to the mandated bank account as detailed on the Shareholder's account opening form. Repurchase proceeds will only be paid to the registered Shareholder requesting repurchase of the relevant shares and no third party payments will be permitted.

In order to comply with regulations aimed at the prevention of money laundering in any applicable jurisdiction, the Administrator reserves the right to request such information and documentation as it considers necessary in order to process any Repurchase Request. The Administrator may refuse to process any Repurchase Request or delay payment of repurchase proceeds if a Shareholder submitting shares for repurchase delays in producing or fails to produce any information required by the Administrator or if such refusal is necessary to ensure the compliance with any anti-money laundering law in any jurisdiction.

If repurchase requests on any Dealing Day represent 10 % or more of the Net Asset Value in respect of any Fund, the Company may in its sole discretion defer the excess repurchase requests to subsequent Dealing Days and shall repurchase such shares rateably. Any shares which are not repurchased on a Dealing Day shall be treated as if a request for repurchase has been made in respect of such shares for the next and each subsequent Dealing Day until all of the shares to which the original request(s) related have been repurchased.

### **Declaration as to Status of Investor**

The Company will be required to deduct tax on repurchase monies and distributions at the applicable rate unless it has received from the Shareholder a declaration in the prescribed form confirming that the Shareholder is not an Irish resident and not a person ordinarily resident in Ireland in respect of whom it is necessary to deduct tax. The Company reserves the right to redeem such number of shares held by such a Shareholder as may be necessary to discharge the tax liability arising. In addition, the Company will be required to account for tax at the applicable rate on the value of the shares transferred to another entity or person unless it has received from the transferor a declaration in the prescribed form confirming that the Shareholder is not an Irish resident and not a person ordinarily resident in Ireland in respect of whom it is necessary to deduct tax. The Company reserves the right to redeem such number of shares held by the transferor as may be necessary to discharge the tax liability arising. The Company reserves the right to refuse to register a transfer of shares until it receives a declaration as to the transferee's residency or status in a form prescribed by the Irish Revenue Commissioners.

### **Mandatory Repurchase of shares and Forfeiture of Dividends**

Shareholders are required to notify the Company immediately in the event that they become US Persons. Shareholders who become US Persons will be required to dispose of their shares to non-US Persons on the next Dealing Day thereafter unless the shares are held pursuant to an exemption which would allow them to hold the shares. The Administrator reserves the right to repurchase or require the transfer of any shares which are or become owned, directly or indirectly, by a US Person or other person if the holding of the shares by such other person is unlawful or, in the opinion of the Directors, the holding might result in the Company or the Shareholders incurring any liability to taxation or suffering any pecuniary, legal, regulatory or material administrative disadvantage which the Company or the Shareholders might not otherwise suffer or incur.

### **Transfer of shares**

All transfers of shares shall be effected by transfer in writing in any usual or common form and every form of transfer shall state the full name and address of the transferor and the transferee. The instrument of transfer of a share shall be signed by or on behalf of the transferor. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the share register in respect thereof.

The Directors may decline to register any transfer of shares if in consequence of such transfer the transferor or transferee would hold less than the relevant minimum holding, if there is such a minimum holding, or would otherwise infringe the restrictions on holding shares outlined above.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty days in any year.

The Directors may decline to register any transfer of shares unless the instrument of transfer is deposited at the registered office of the Company or at such other place as the Directors may reasonably require together with such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The transferee will be required to complete an application form which includes a declaration that the proposed transferee is not a US Person or is acquiring shares on behalf of a US Person.

### **Conversion of shares**

With the prior consent of the Directors and the Administrator, at their discretion, a Shareholder may convert shares of one fund into shares of another fund on giving notice to the Directors in such form as the Directors may require provided that the Shareholder satisfies the minimum investment criteria. **The switching charge for the conversion of shares in a fund into shares of another fund shall be 3 % of the Net Asset Value per share.** Conversion will take place in accordance with the following formula:

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

where:

- NS* = the number of shares which will be issued in the new fund;
- A* = the number of the shares to be converted;
- B* = the repurchase price of the shares to be converted;
- C* = the currency conversion factor, if any, as determined by the Directors;
- D* = a switching charge of up to 3 % of the Net Asset Value per share of each share to be switched; and
- E* = the Net Asset Value per share in the new Fund on the relevant Dealing Day.

If NS is not an integral number of shares the Administrator reserves the right to return the surplus arising to the Shareholder seeking to convert the shares.

#### **Publication of the Price of the Shares**

Except where the determination of the Net Asset Value has been suspended, in the circumstances described below, the Net Asset Value per share of each Dealing Day shall be made available at the registered office of the Administrator at 6pm (Irish time) on the following Dealing Day and shall also be published on the Business Day immediately succeeding each Dealing Day on Bloomberg and on [www.amundi.com](http://www.amundi.com). Such information shall relate to the Net Asset Value per share for the previous Dealing Day and is published for information only. It is not an invitation to subscribe for, repurchase or convert shares at that Net Asset Value.

#### **Temporary Suspension of Valuation of the Shares and of Sales, Repurchases and Conversions**

The Company may temporarily suspend the determination of the Net Asset Value and the sale, conversion and/or repurchase of shares in the Fund or Class during:

- (i) any period (other than ordinary holiday or customary weekend closings) when any market or stock exchange is closed which is the main market for a significant part of the fund's investments, or during which dealings therein or thereon are restricted or suspended;
- (ii) any period when any circumstance exists as a result of which disposal or valuation of investments of the Fund is not reasonably practicable without this being seriously detrimental to the interests of the shareholder or repurchase prices cannot be fairly calculated;
- (iii) any period when there is any breakdown in the means of communication normally employed in determining the price of any of the Fund's investments or when for any other reason the current prices on any market or stock exchange of any investments of the Fund cannot be reasonably, promptly or accurately ascertained;
- (iv) any period during which the board is unable to repatriate funds required for the purpose of making payments due or where the acquisition or realisation of investments cannot, in the opinion of the board of Directors, be effected at normal prices or normal rates of exchange;
- (v) any period when proceeds of the sale or repurchase of the shares cannot be transmitted to or from the Fund's account; or
- (vi) upon the publication of a notice convening a general meeting of Shareholders for the purposes of winding up the Fund.

Any such suspension shall be published by the Company in such manner as it may deem appropriate to the persons likely to be affected thereby if, in the opinion of the Directors, such suspension is likely to continue for a period exceeding fourteen days and any such suspension shall be notified immediately and in any event within the same day to the Central Bank. Where practicable, the Company shall take all reasonable steps to bring such a suspension to an end as soon as possible.

## TAXATION

**The following is a general summary of the main Irish tax considerations applicable to the Company and certain investors in the Company who are the beneficial owners of shares in the Company. It does not purport to deal with all of the tax consequences applicable to the Company or to all categories of investors, some of whom may be subject to special rules. For instance, it does not address the tax position of Shareholders whose acquisition of shares in the Company would be regarded as a shareholding in a Personal Portfolio Investment Undertaking (PPIU). Accordingly, its applicability will depend on the particular circumstances of each Shareholder. It does not constitute tax advice and Shareholders and potential investors are advised to consult their professional advisors concerning possible taxation or other consequences of purchasing, holding, selling, converting or otherwise disposing of the shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile, and in the light of their particular circumstances.**

The following statements on taxation are based on advice received by the Directors regarding the law and practice in force in Ireland at the date of this document. Legislative, administrative or judicial changes may modify the tax consequences described below and as is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made will endure indefinitely.

### **Taxation of the Company**

The Directors have been advised that, under current Irish law and practice, the Company qualifies as an investment undertaking for the purposes of Section 739B of the Taxes Consolidation Act, 1997, as amended (“TCA”) so long as the Company is resident in Ireland. Accordingly, it is generally not chargeable to Irish tax on its income and gains.

#### *Chargeable Event*

However, Irish tax can arise on the happening of a “chargeable event” in the Company. A chargeable event includes any payments of distributions to Shareholders, any encashment, repurchase, redemption, cancellation or transfer of shares and any deemed disposal of shares as described below for Irish tax purposes arising as a result of holding shares in the Company for a period of eight years or more. Where a chargeable event occurs, the Company is required to account for the Irish tax thereon.

No Irish tax will arise in respect of a chargeable event where:

- (a) the Shareholder is neither resident nor ordinarily resident in Ireland (“Non-Irish Resident”) and it (or an intermediary acting on its behalf) has made the necessary declaration to that effect and the Company is not in possession of any information which would reasonably suggest that the information contained in the declaration is not, or is no longer, materially correct; or
- (b) the Shareholder is Non-Irish Resident and has confirmed that to the Company and the Company is in possession of written notice of approval from the Revenue Commissioners of Ireland to the effect that the requirement to provide the necessary declaration of non-residence has been complied with in respect of the Shareholder and the approval has not been withdrawn; or
- (c) the Shareholder is an Exempt Irish Resident as defined below and it (or an intermediary acting on its behalf) has made the necessary declaration to that effect.

A reference to “intermediary” means an intermediary within the meaning of Section 739B(1) of the TCA, being a person who (a) carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons; or (b) holds units in an investment undertaking on behalf of other persons.

In the absence of a signed and completed declaration or written notice of approval from the Revenue Commissioners, as applicable, being in the possession of the Company at the relevant time there is a presumption that the Shareholder is resident or ordinarily resident in Ireland (“Irish Resident”) or is not an Exempt Irish Resident and a charge to tax arises.

A chargeable event does not include:

- any transactions (which might otherwise be a chargeable event) in relation to shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or
- a transfer of shares between spouses and any transfer of shares between spouses or former spouses on the occasion of judicial separation and/or divorce; or
- an exchange by a Shareholder, effected by way of arm’s length bargain where no payment is made to the Shareholder, of shares in the Company for other shares in the Company; or
- an exchange of shares arising on a qualifying amalgamation or reconstruction (within the meaning of Section 739H of the TCA) of the Company with another investment undertaking.

If the Company becomes liable to account for tax on a chargeable event, the Company shall be entitled to deduct from the payment arising on that chargeable event an amount equal to the appropriate tax and/or, where applicable, to repurchase and cancel such number of shares held by the Shareholder as is required to meet the amount of tax. The relevant Shareholder shall indemnify and keep the Company indemnified against loss arising to the Company by reason of the Company becoming liable to account for tax on the happening of a chargeable event.

#### *Deemed Disposals*

The Company may elect not to account for Irish tax in respect of deemed disposals in certain circumstances. Where the total value of shares in a Fund held by Shareholders who are Irish Resident and, who are not Exempt Irish Residents as defined below, is 10% or more of the Net Asset Value of the Fund, the Company will be liable to account for the tax arising on a deemed disposal in respect of shares in that Fund as set out below. However, where the total value of shares in the Fund held by such Shareholders is less than 10% of the Net Asset Value of the Fund, the Company may, and it is expected that the Company will, elect not to account for tax on the deemed disposal. In this instance, the Company will notify relevant Shareholders that it has made such an election and those Shareholders will be obliged to account for the tax arising under the self-assessment system themselves. Further details of this are set out below under the heading “Taxation of Irish Resident Shareholders”.

#### *Irish Courts Service*

Where shares are held by the Irish Courts Service the Company is not required to account for Irish tax on a chargeable event in respect of those shares. Rather, where money under the control or subject to the order of any court is applied to acquire shares in the Company, the Irish Courts Service assumes, in respect of the shares acquired, the responsibilities of the Company to, *inter alia*, account for tax in respect of chargeable events and file returns.

#### **Exempt Irish Resident Shareholders**

The Company will not be required to deduct tax in respect of the following categories of Irish Resident Shareholders, provided the Company has in its possession the necessary declarations from those persons (or an intermediary acting on their behalf) and the Company is not in possession of any information which would reasonably suggest that the information contained in the declarations is not, or is no longer, materially correct. A Shareholder who comes within any of the categories listed below and who (directly or through an intermediary) has provided the necessary declaration to the Company is referred to herein as an “Exempt Irish Resident”:

- (a) a pension scheme which is an exempt approved scheme within the meaning of Section 774 of the TCA, or a retirement annuity contract or a trust scheme to which Section 784 or Section 785 of the TCA, applies;
- (b) a company carrying on life business within the meaning of Section 706 of the TCA;
- (c) an investment undertaking within the meaning of Section 739B(1) of the TCA;
- (d) a special investment scheme within the meaning of Section 737 of the TCA;
- (e) a charity being a person referred to in Section 739D(6)(f)(i) of the TCA;
- (f) a qualifying management company within the meaning of Section 739B(1) of the TCA;
- (g) a unit trust to which Section 731(5)(a) of the TCA applies;
- (h) a person who is entitled to exemption from income tax and capital gains tax under Section 784A(2) of the TCA where the shares held are assets of an approved retirement fund or an approved minimum retirement fund;
- (i) a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 787I of the TCA, and the shares are assets of a Personal Retirement Savings Account (PRSA);
- (j) a credit union within the meaning of Section 2 of the Credit Union Act, 1997;
- (k) the National Pensions Reserve Fund Commission;
- (l) the National Asset Management Agency;
- (m) a company within the charge to corporation tax in accordance with Section 110(2) of the TCA (securitisation companies);
- (n) in certain circumstances, a company within the charge to corporation tax in respect of payments made to it by the Company; or
- (o) any other person who is resident or ordinarily resident in Ireland who may be permitted to own shares under taxation legislation or by written practice or concession of the Revenue Commissioners without giving rise to a charge to tax in the Company or jeopardising the tax exemptions associated with the Company.

There is no provision for any refund of tax to Shareholders who are Exempt Irish Residents where tax has been deducted in the absence of the necessary declaration. A refund of tax may only be made to corporate Shareholders who are within the charge to Irish corporation tax.

### **Taxation of Non-Irish Resident Shareholders**

Non-Irish Resident Shareholders who (directly or through an intermediary) have made the necessary declaration of non-residence in Ireland, where required, are not liable to Irish tax on the income or gains arising to them from their investment in the Company and no tax will be deducted on distributions from the Company or payments by the Company in respect of a repurchase, redemption, cancellation or other disposal of their investment. Such Shareholders are generally not liable to Irish tax in respect of income or gains made from holding or disposing of shares except where the shares are attributable to an Irish branch or agency of such Shareholder.

Unless the Company is in possession of written notice of approval from the Revenue Commissioners to the effect that the requirement to provide the necessary declaration of non-residence has been complied with in

respect of the Shareholder and the approval has not been withdrawn, in the event that a non-resident Shareholder (or an intermediary acting on its behalf) fails to make the necessary declaration of non-residence, tax will be deducted as described above on the happening of a chargeable event and notwithstanding that the Shareholder is not resident or ordinarily resident in Ireland any such tax deducted will generally not be refundable.

Where a Non-Irish Resident company holds shares in the Company which are attributable to an Irish branch or agency, it will be liable to Irish corporation tax in respect of income and capital distributions it receives from the Company under the self assessment system.

## **Taxation of Irish Resident Shareholders**

### *Deduction of Tax*

Tax will be deducted and remitted to the Revenue Commissioners by the Company from any distributions made by the Company (other than on a disposal) to an Irish Resident Shareholder who is not an Exempt Irish Resident, where payments are made annually or at more frequent intervals where the Shareholder is a company, at the rate of 25%, and where the Shareholder is not a company, at the rate of 30%, and, where payments are made less frequently, where the Shareholder is a company, at the rate of 25%, and where the Shareholder is not a company, at the rate of 33%.

Tax will also be deducted by the Company and remitted to the Revenue Commissioners from any gain arising on an encashment, repurchase, redemption or other disposal of shares by such a Shareholder where the Shareholder is a company, at the rate of 25%, and where the Shareholder is not a company, at the rate of 33%. Any gain will be computed as the difference between the value of the Shareholder's investment in the Company at the date of the chargeable event and the original cost of the investment as calculated under special rules.

### *Deemed Disposals*

Tax will also be deducted by the Company and remitted to the Revenue Commissioners in respect of any deemed disposal where the total value of shares in a Fund held by Irish Resident Shareholders who are not Exempt Irish Residents is 10% or more of the Net Asset Value of the Fund. A deemed disposal will occur on each and every eighth anniversary of the acquisition of shares in the Fund by such Shareholders. The deemed gain will be calculated as the difference between the value of the shares held by the Shareholder on the relevant eighth year anniversary or, as described below where the Company so elects, the value of the shares on the later of the 30 June or 31 December prior to the date of the deemed disposal and the relevant cost of those shares. The excess arising will be taxable where the Shareholder is a company, at the rate of 25%, and where the Shareholder is not a company, at the rate of 33%. Tax paid on a deemed disposal should be creditable against the tax liability on an actual disposal of those shares.

Where the Company is obliged to account for tax on deemed disposals it is expected that the Company will elect to calculate any gain arising for Irish Resident Shareholders who are not Exempt Irish Residents by reference to the Net Asset Value of the relevant Fund on the later of the 30 June or 31 December prior to the date of the deemed disposal, in lieu of the value of the shares on the relevant eight year anniversary.

The Company may elect not to account for tax arising on a deemed disposal where the total value of shares in the relevant Fund held by Irish Resident Shareholders who are not Exempt Irish Residents is less than 10% of the Net Asset Value of the Fund. In this case, such Shareholders will be obliged to account for the tax arising on the deemed disposal under the self assessment system themselves. The deemed gain will be calculated as the difference between the value of the shares held by the Shareholder on the relevant eighth year anniversary and the relevant cost of those shares. The excess arising will be regarded as an amount taxable under Case IV of Schedule D and will be subject to tax where the Shareholder is a company, at the rate of 25%, and where the Shareholder is not a company, at the rate of 33%. Tax paid on a deemed disposal should be creditable against the tax payable on an actual disposal of those shares.

### *Residual Irish Tax Liability*

Corporate Shareholders resident in Ireland which receive distributions (where payments are made annually or at more frequent intervals) from which tax has been deducted will be treated as having received an annual payment chargeable to tax under Case IV of Schedule D from which tax at the rate of 25% has been deducted. Subject to the comments below concerning tax on a currency gain, in general, such Shareholders will not be subject to further Irish tax on payments received in respect of their holding from which tax has been deducted. A corporate Shareholder resident in Ireland which holds the shares in connection with a trade will be taxable on any income or gains received from the Company as part of that trade with a set-off against corporation tax payable for any tax deducted from those payments by the Company.

Subject to the comments below concerning tax on a currency gain, in general, non-corporate Irish Resident Shareholders will not be subject to further Irish tax on income arising on the shares or gains made on disposal of the shares, where the appropriate tax has been deducted by the Company from distributions paid to them.

Where a currency gain is made by a Shareholder on the disposal of shares, the Shareholder will be liable to capital gains tax in respect of that gain in the year/s of assessment in which the shares are disposed of.

Any Irish Resident Shareholder who is not an Exempt Irish Resident and who receives a distribution from which tax has not been deducted (for example, because the shares are held in a recognised clearing system) will be liable to account for income tax or corporation tax as the case may be on that payment. Where such Shareholder receives a gain on an encashment, redemption, cancellation or transfer from which tax has not been deducted, (for example, because the shares are held in a recognised clearing system) the Shareholder will also be liable to account for income tax or corporation tax on the amount of the gain under the self-assessment system and in particular, Part 41 of the TCA. Shareholders who are individuals should also note that failure to comply with these provisions may result in them being subject to tax at their marginal rate (currently up to 41%) on the income and gains together with a surcharge, penalties and interest.

### **Overseas Dividends**

Dividends (if any) and interest which the Company receives with respect to investments (other than securities of Irish issuers) may be subject to taxes, including withholding taxes, in the countries in which the issuers of the investments are located. It is not known whether the Company will be able to benefit from reduced rates of withholding tax under the provisions of the double tax treaties which Ireland has entered into with various countries.

However, in the event that the Company receives any repayment of withholding tax suffered, the Net Asset Value of the relevant Fund will not be restated and the benefit of any repayment will be allocated to the then existing Shareholders rateably at the time of such repayment.

### **Stamp Duty**

On the basis that the Company qualifies as an investment undertaking within the meaning of Section 739B of the TCA, generally, no stamp duty will be payable in Ireland on the issue, transfer, repurchase or redemption of shares in the Company. However, where any subscription for or redemption of shares is satisfied by an in-kind or *in specie* transfer of Irish securities or other Irish property, Irish stamp duty might arise on the transfer of such securities or properties.

No Irish stamp duty will be payable by the Company on the conveyance or transfer of stock or marketable securities of a company not registered in Ireland, provided that the conveyance or transfer does not relate to any immovable property situated in Ireland or any right over or interest in such property, or to any stocks or marketable securities of a company (other than a company which is an investment undertaking within the meaning of Section 739B of the TCA) which is registered in Ireland.

## **Residence**

In general, investors in the Company will be individuals, corporate entities or trusts. Under Irish rules, both individuals and trusts may be resident or ordinarily resident. The concept of ordinary residence does not apply to corporate entities.

### ***Individual Investors***

#### *Test of Residence*

An individual will be regarded as resident in Ireland for a particular tax year if the individual is present in Ireland: (1) for a period of at least 183 days in any one tax year; or (2) for a period of at least 280 days in any two consecutive tax years, provided that the individual is resident in Ireland for at least 31 days in each tax year. In determining days present in Ireland, for periods up to 31 December 2008 an individual is deemed to be present if the individual is in Ireland at the end of the day (midnight). Since 1 January 2009, an individual is deemed to be present if he / she is present in Ireland at any time during the day. Therefore, for tax years from 1 January 2009 on, any day during which the individual is present in Ireland counts in ascertaining the total number of days spent in Ireland for residence purposes.

If an individual is not resident in Ireland in a particular tax year the individual may, in certain circumstances, elect to be treated as resident.

#### *Test of Ordinary Residence*

If an individual has been resident for the three previous tax years then the individual will be deemed “ordinarily resident” from the start of the fourth year. An individual will remain ordinarily resident in Ireland until the individual has been non-resident for three consecutive tax years.

### ***Trust Investors***

A trust will generally be regarded as resident in Ireland where all of the trustees are resident in Ireland. Trustees are advised to seek specific tax advice if they are in doubt as to whether the trust is resident in Ireland.

### ***Corporate Investors***

A company will be resident in Ireland if its central management and control is in Ireland or (in certain circumstances) if it is incorporated in Ireland. For Ireland to be treated as the location of a company’s central management and control this typically means Ireland is the location where all fundamental policy decisions of the company are made.

All companies incorporated in Ireland are resident in Ireland for tax purposes except where:

- (i) the company or a related company carries on a trade in Ireland, and either (a) the company is ultimately controlled by persons resident in a “relevant territory”, being an EU member state (other than Ireland) or a country with which Ireland has a double taxation agreement in force by virtue of Section 826(1) of the TCA or that is signed and which will come into force once all the ratification procedures set out in Section 826(1) of the TCA have been completed, or (b) the principal class of the shares in the company or a related company is substantially and regularly traded on a recognised stock exchange in a relevant territory; or
- (ii) the company is regarded as resident in a country other than Ireland and not resident in Ireland under a double taxation agreement between Ireland and that other country.

A company coming within either (i) or (ii) above will not be regarded as resident in Ireland unless its central management and control is in Ireland.

## **Disposal of Shares and Irish Capital Acquisitions Tax**

### **(a) Persons Domiciled or Ordinarily Resident in Ireland**

The disposal of shares by means of a gift or inheritance made by a disponent domiciled or ordinarily resident in Ireland or received by a beneficiary domiciled or ordinarily resident in Ireland may give rise to a charge to Irish Capital Acquisitions Tax for the beneficiary of such a gift or inheritance with respect to those shares.

### **(b) Persons Not Domiciled or Ordinarily Resident in Ireland**

On the basis that the Company qualifies as an investment undertaking within the meaning of Section 739B of the TCA, the disposal of shares will not be within the charge to Irish Capital Acquisitions Tax provided that;

- the shares are comprised in the gift or inheritance at the date of the gift or inheritance and at the valuation date;
- the donor is not domiciled or ordinarily resident in Ireland at the date of the disposition; and
- the beneficiary is not domiciled or ordinarily resident in Ireland at the date of the gift or inheritance.

## GENERAL

### **The Share Capital**

The share capital of the Company shall at all times equal the Net Asset Value. The initial share capital of the Company is 39,000 Subscriber Shares issued for euro 39,000 of which two shares remain in issue. The Directors are empowered to issue up to 500 billion shares of no par value in the Company at the Net Asset Value per share on such terms as they may think fit. There are no rights of pre-emption upon the issue of shares in the Company.

The proceeds from the issue of shares shall be applied in the books of the Company to the relevant fund and shall be used in the acquisition on behalf of the relevant fund of assets in which the fund may invest. The records and accounts of each fund shall be maintained separately.

The Directors reserve the right to redesignate any class of shares from time to time, provided that Shareholders in that class shall first have been notified by the Company that the shares will be redesignated and shall have been given the opportunity to have their shares repurchased by the Company, except that this requirement shall not apply where the Directors redesignate shares in issue in order to facilitate the creation of an additional class of shares. In the event that the Directors transfer any asset to and from any Fund they shall advise Shareholders of any such transfer in the next succeeding annual or half-yearly report to Shareholders.

Each of the shares entitles the Shareholder to participate equally on a *pro rata* basis in the dividends and net assets of the fund, save in the case of dividends declared prior to becoming a Shareholder. The Subscriber Shares' entitlement shall be limited to the amount subscribed and any accrued income thereon.

Each of the shares entitles the holder to attend and vote at meetings of the Company. No class of shares confers on the holder thereof any preferential or pre-emptive rights or any rights to participate in the profits and dividends of any other class of shares or any voting rights in relation to matters relating solely to any other class of shares.

Any resolution to alter the class rights of the shares requires the approval of three-quarters of the holders of the shares represented or present and voting at a general meeting duly convened in accordance with the Articles. The Subscriber Shares entitle the Shareholders holding them to attend and vote at all meetings of the Company.

The Articles empower the Directors to issue fractional shares in the Company. Fractional shares may be issued to the nearest one-hundredth of a share and shall not carry any voting rights at general meetings of the Company and the Net Asset Value of any fractional share shall be the Net Asset Value per share adjusted in proportion to the fraction.

### **The Company and Segregation of Liability**

The Company is an umbrella fund with segregated liability between sub-funds and each fund may comprise one or more classes of shares in the Company. The Directors may, from time to time, upon the prior approval of the Central Bank, establish further funds by the issue of one or more separate classes of shares on such terms as the Directors may resolve. The Directors may, from time to time, in accordance with the requirements of the Central Bank, establish one or more separate classes of shares within each Fund on such terms as the Directors may resolve.

The assets and liabilities of each fund will be allocated in the following manner:

- (a) the proceeds from the issue of shares representing a fund shall be applied in the books of the Company to the Fund and the assets and liabilities and income and expenditure attributable thereto shall be applied to such fund subject to the provisions of the Memorandum and Articles of Association;

- (b) where any asset is derived from another asset, such derivative asset shall be applied in the books of the Company to the same fund as the assets from which it was derived and in each valuation of an asset, the increase or diminution in value shall be applied to the relevant fund;
- (c) where the Company incurs a liability which relates to any asset of a particular fund or to any action taken in connection with an asset of a particular fund, such a liability shall be allocated to the relevant Fund, as the case may be; and
- (d) where an asset or a liability of the Company cannot be considered as being attributable to a particular fund, such asset or liability, subject to the approval of the Custodian, shall be allocated to all the funds *pro rata* to the Net Asset Value of each fund.

Any liability incurred on behalf of or attributable to any fund shall be discharged solely out of the assets of that fund, and neither the Company nor any Director, receiver, examiner, liquidator, provisional liquidator or other person shall apply, nor be obliged to apply, the assets of any such fund in satisfaction of any liability incurred on behalf of, or attributable to, any other fund.

There shall be implied in every contract, agreement, arrangement or transaction entered into by the Company the following terms, that:

- (a) the party or parties contracting with the Company shall not seek, whether in any proceedings or by any other means whatsoever or wheresoever, to have recourse to any assets of any fund in the discharge of all or any part of a liability which was not incurred on behalf of that fund;
- (b) if any party contracting with the Company shall succeed by any means whatsoever or wheresoever in having recourse to any assets of any fund in the discharge of all or any part of a liability which was not incurred on behalf of that fund, that party shall be liable to the Company to pay a sum equal to the value of the benefit thereby obtained by it; and
- (c) if any party contracting with the Company shall succeed in seizing or attaching by any means, or otherwise levying execution against, the assets of a fund in respect of a liability which was not incurred on behalf of that fund, that party shall hold those assets or the direct or indirect proceeds of the sale of such assets on trust for the Company and shall keep those assets or proceeds separate and identifiable as such trust property.

All sums recoverable by the Company shall be credited against any concurrent liability pursuant to the implied terms set out in (a) to (c) above.

Any asset or sum recovered by the Company shall, after the deduction or payment of any costs of recovery, be applied so as to compensate the Fund.

In the event that assets attributable to a fund are taken in execution of a liability not attributable to that fund, and in so far as such assets or compensation in respect thereof cannot otherwise be restored to the fund affected, the Directors, with the consent of the Custodian, shall certify or cause to be certified, the value of the assets lost to the fund affected and transfer or pay from the assets of the fund or funds to which the liability was attributable, in priority to all other claims against such fund or funds, assets or sums sufficient to restore to the fund affected, the value of the assets or sums lost to it.

A fund is not a legal person separate from the Company but the Company may sue and be sued in respect of a particular fund and may exercise the same rights of set-off, if any, as between its funds as apply at law in respect of companies and the property of a fund is subject to orders of the court as it would have been if the fund were a separate legal person.

Separate records shall be maintained in respect of each fund.

### **Conflicts of Interest and Best Execution**

Subject to any policies established by the Directors, when arranging investment transactions for the Company, the Investment Manager will seek to achieve the best possible result when executing orders for the Company, taking into account various factors, but largely preferring the total cost factor. Therefore, whilst the Investment Manager generally seeks competitive commission rates, the Company does not necessarily pay the lowest commission or spread available.

In addition, because of the operations undertaken by the Investment Manager, the Administrator and the Custodian and their respective holding companies, subsidiaries and affiliates (each an “**Interested Party**”) conflicts of interest may arise. Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly. The Investment Manager may have a conflict of interest when allocating investment opportunities between the Company and other clients. However, when making investments where a conflict of interest may arise, the Investment Manager will endeavour to act in a fair and equitable manner as between the Company and other clients. An Interested Party may acquire or dispose of any investment notwithstanding that the same or similar investments may be owned by or for the account of or otherwise connected with the Company. Furthermore, an Interested Party may acquire, hold or dispose of investments notwithstanding that such investments had been acquired or disposed of by or on behalf of the Company by virtue of a transaction effected by the Company in which the Interested Party was concerned provided that the acquisition by an Interested Party of such Investments is effected on normal commercial terms negotiated on an arm’s length basis and the Investments held by the Company are acquired on the best terms reasonably obtainable having regard to the interests of the Company. An Interested Party may deal with the Company as principal or as agent, provided that any such dealings are in the best interests of Shareholders and are carried out as if effected on normal commercial terms negotiated on an arm’s length basis.

Interested Party transactions permitted are subject to:

- (i) a certified valuation of a transaction by a person approved by the Custodian (or the Directors in the case of a transaction involving the Custodian) as independent and competent; or
- (ii) the transaction is executed on best terms on an organised investment exchange in accordance with the rules of such exchange; or
- (iii) where (i) and (ii) are not practical, execution on terms which the Custodian (or the Directors in the case of a transaction involving the Custodian) is satisfied conforms with the principle outlined in the preceding paragraph.

The Company has adopted a policy designed to ensure that its service providers act in the Fund’s best interests when executing decisions to deal, and placing orders to deal, on behalf of the Fund in the context of managing the Fund’s portfolios. For these purposes, reasonable steps must be taken to obtain the best possible result for the Fund, taking into account price, costs, speed, likelihood of execution and settlement, order size and nature, research services provided by the broker to the Investment Manager, or any other consideration relevant to the execution of the order. Information about the Company’s execution policy and any material changes to the policy are available to Shareholders at no charge upon request.

### **Voting Policy**

The Investment Manager may exercise voting rights on behalf of the Company, although it does not usually exercise these rights. A summary description of the Company’s exercise of voting rights strategies and details of any actions taken on the basis of those strategies is available to the Company’s shareholders free of charge upon request, if applicable.

### **Complaints**

All complaints received in writing shall be maintained by the Administrator. In addition, all complaints, no matter whether received in writing or verbally, shall be documented in a central complaints log maintained by the Administrator. The Company shall provide to its Shareholders a description, which may be provided in summary form, of the complaints policy free of charge upon request.

### **Meetings and Votes of Shareholders**

All general meetings of the Company shall be held in Ireland. In each year the Company shall hold a general meeting as its annual general meeting. The quorum for any general meeting convened to consider any alteration to the class rights of the shares shall be such number of Shareholders being two or more persons whose holdings comprise one-third of the shares. The quorum for meetings other than a meeting to consider changes in class rights shall be two persons present in person or by proxy. Twenty-one days' notice (excluding the day of posting and the day of the meeting) shall be given in respect of each general meeting of the Company. The notice shall specify the venue and time of the meeting and the business to be transacted at the meeting. A proxy may attend on behalf of any Shareholder. An ordinary resolution is a resolution passed by a simple majority of votes cast and a special resolution is a resolution passed by a majority of 75 % or more of the votes cast. The Articles provide that matters may be determined by a meeting of Shareholders on a show of hands unless a poll is requested by five Shareholders or by Shareholders holding 10 % or more of the shares or unless the Chairman of the meeting requests a poll. On a show of hands a Shareholder present at a meeting is entitled to one vote. Each share (including the Subscriber Shares) gives the holder one vote in relation to any matters relating to the Company which are submitted to Shareholders for a vote by poll.

### **Termination**

All of the shares of a Fund or of the Company may be repurchased by the Company in the following circumstances:

- (i) if 50 % of the holders of the shares voting at a general meeting of the Fund or the Company approve the repurchase of the shares; or
- (ii) if at any time the aggregate Net Asset Value of a Fund or the Company on each Dealing Day is less than euro 150,000 (or the foreign currency equivalent) provided that notice of not less than four and not more than six weeks has been given to the holders of the shares within four weeks of such period.

### **Deferred Repurchase**

Where a repurchase of shares would result in the number of Shareholders falling below two or such other minimum number stipulated by statute or where a repurchase of shares would result in the issued share capital of the Company falling below such minimum amount as the Company may be obliged to maintain pursuant to applicable law, the Company may defer the repurchase of the minimum number of shares sufficient to ensure compliance with applicable law. The repurchase of such shares will be deferred until the Company is wound up or until the Company procures the issue of sufficient shares to ensure that the repurchase can be effected. The Company shall be entitled to select the shares for deferred repurchase in such manner as it may deem to be fair and reasonable and as shall be approved by the Custodian.

### **Distribution of Assets on Winding-Up**

On a winding up of the Company or if all of the shares are to be repurchased, the assets available for distribution among the Shareholders shall be applied in the following priority:

- (i) firstly, in the payment to the Shareholders of each class of each fund of a sum in the Base Currency in which that class is denominated or in any other currency selected by the liquidator as nearly as possible equal (at a rate of exchange reasonably determined by the liquidator) to the Net Asset Value of the shares of such class held by such holders respectively as at the date of commencement of the winding up provided that there are sufficient assets available in the relevant Fund to enable such payment to be made. In the event that, as regards any class of shares, there are insufficient assets available in the relevant Fund to enable such payment to be made, recourse shall be had to the assets of the Company not comprised within any of the funds;
- (ii) secondly, in the payment to the holders of the Subscriber Shares of sums up to the amount paid thereon (plus any interest accrued) out of the assets of the Company not comprised within any Funds remaining after any recourse thereto under paragraph (i) above. In the event that there are insufficient assets as aforesaid to enable such payment in full to be made, no recourse shall be had to the assets comprised within any of the funds;

- (iii) thirdly, in the payment to the Shareholders of any balance then remaining in the relevant fund, such payment being made in proportion to the number of shares held; and
- (iv) fourthly, in the payment to the Shareholders of any balance then remaining and not comprised within any of the funds, such payment being made in proportion to the value of each fund and within each Fund to the value of each class and in proportion to the Net Asset Value per share.

With the authority of an ordinary resolution of the Shareholders, the Company may make distributions *in specie* to Shareholders. If all of the shares are to be repurchased and it is proposed to transfer all or part of the assets of the Company to another company, the Company, with the sanction of a special resolution of Shareholders may exchange the assets of the Company for shares or similar interests in the transferee company for distribution among Shareholders. The Subscriber Shares do not entitle the holders to participate in the dividends or net assets of any Fund.

### **Reports**

In each year the Directors shall cause to be prepared an annual report and audited annual accounts for the Company. These will be forwarded to Shareholders within four months of the end of the relevant financial year and at least twenty-one days before the annual general meeting. In addition, the Company shall prepare and circulate to Shareholders within two months of the end of the period to which the report relates, a half-yearly report which shall include unaudited half-yearly accounts for the Company.

Annual accounts shall be made up to 31 December in each year. Unaudited half-yearly accounts shall be made up to 30 June in each year.

Audited annual reports and unaudited half-yearly reports incorporating financial statements shall be posted to each Shareholder at his registered address free of charge and will be made available for inspection at the registered office of the Company and sent on request to any prospective investors.

### **Miscellaneous**

- (i) Since its establishment the Company has not paid or declared a dividend.
- (ii) The Company is not, and since its incorporation has not been, engaged in any legal or arbitration proceedings and no legal or arbitration proceedings are known to the Directors to be pending or threatened by or against the Company.
- (iii) No share or loan capital of the Company is under option or are agreed conditionally or unconditionally to be put under option.
- (iv) No Director or connected person has any interest in the shares of the Company but non-Irish Resident Directors shall be entitled to acquire such an interest. There are no existing or proposed service contracts between any of the Directors and the Company. Ms. Baudson, Mrs. Mercier and Mr. Youssef are employees of the Investment Manager. Mr. O'Sullivan is a partner in Arthur Cox, which acts as legal adviser to the Company. Except as disclosed above, no Director has any interest in any contract or arrangement which is either unusual in its nature or significant to the business of the Company.
- (v) At the date of this document, the Company has no loan capital (including term loans) outstanding or created but unissued and no outstanding mortgages, charges or other indebtedness, including bank overdrafts and liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees or contingent liabilities.

### **Material Contracts**

The following contracts, details of which are set out in the section entitled "Management and Administration", have been entered into and are, or may be, material:

1. The Administration Agreement dated 14 November 2001 as amended by supplemental agreements dated 30 May 2007 between the Company and the Administrator.
2. The Custodian Agreement dated 14 November 2001 as amended by supplemental agreements dated 30 May 2007 and 9 February 2012 between the Company and the Custodian.
3. The Investment Management and Distribution Agreement dated 14 November 2001 between the Company and Crédit Lyonnais Asset Management as novated by novation agreement dated 1 July 2004 between the Company, Crédit Lyonnais Asset Management and Crédit Agricole Asset Management and as further novated by novation agreement dated 31 August 2005 between the Company, Crédit Agricole Asset Management and the Investment Manager as amended by supplemental agreement dated 30 May 2007.
4. The Centralising Correspondent and Paying Agent Agreement dated 14 January 2002 supplemented by the fee schedule dated 14 January 2002 between the Company and CACEIS Bank formerly known as Crédit Agricole Investor Services Bank formerly known as Crédit Lyonnais as novated by the novation agreement dated 23 December 2005 between the Company, Crédit Lyonnais and CACEIS Bank formerly know as Crédit Agricole Investor Services Bank.

#### **Supply and Inspection of Documents**

The following documents are available for inspection free of charge during normal business hours on any Business Day at the registered office of the Company:

1. the certificate of incorporation and memorandum and articles of association of the Company;
2. the material contracts referred to above; and
3. a copy of the Regulations and the notices issued by the Central Bank thereunder.

Copies of the memorandum and articles of association of the Company and the latest financial reports of the Company, as appropriate, may be obtained, free of charge, upon request at the registered office of the Company.

## **SCHEDULE 1**

### **The Regulated Markets**

The Regulated Markets shall comprise of the following:

- (i) any stock exchange in the EU and the European Economic Area;
- (ii) any stock exchange in Australia, Canada, Japan, New Zealand, Switzerland or the US which is a stock exchange within the meaning of the law of the country concerned relating to stock exchanges including the following exchanges;  
Argentina: the Buenos Aires Stock Exchange (MVBA),  
Bangladesh: the Dhaka Stock Exchange,  
Brazil: the Rio de Janeiro Stock Exchange, the Sao Paulo Stock Exchange, the Maracaibo Stock Exchange,  
Chile: the Santiago Stock Exchange,  
China: the Hong Kong Stock Exchange, the Shenzhen Stock Exchange (SZSE), the Shanghai Stock Exchange (SSE),  
Colombia: the Bogota Stock Exchange, the Medellin Stock Exchange,  
Croatia: the Zagreb Stock Exchange,  
Egypt: the Cairo and Alexandra Stock Exchange,  
India: the Mumbai Stock Exchange, the Calcutta Stock Exchange, the Delhi Stock Exchange Association, the Bangalore Stock Exchange, the Gauhati Stock Exchange, the Hyderabad Stock Exchange, the Ludhiana Stock Exchange, the Madras Stock Exchange, the Pune Stock Exchange, the Uttar Pradesh Stock Exchange Association,  
Indonesia: the Jakarta Stock Exchange, the Surabaya Stock Exchange,  
Israel: the Tel Aviv Stock Exchange,  
Jordan: the Amman Stock Exchange,  
Malaysia: the Kuala Lumpur Stock Exchange,  
Mexico: the Bolsa Mexicana de Valores,  
Morocco: the Casablanca Stock Exchange, the Morocco Stock Exchange,  
Pakistan: the Karachi Stock Exchange, the Lahore Stock Exchange,  
Peru: the Lima Stock Exchange,  
The Philippines: the Philippine Stock Exchange,  
Singapore: the Singapore Stock Exchange,  
South Africa: the Johannesburg Stock Exchange,  
South Korea: the Korea Stock Exchange,  
Sri Lanka: the Colombo Stock Exchange,  
Taiwan: the Taiwan Stock Exchange,  
Thailand: the Stock Exchange of Thailand,  
Turkey: the Istanbul Stock Exchange,  
Venezuela: the Caracas Stock Exchange,  
Zimbabwe: the Zimbabwe Stock Exchange.
- (iii) the market organised by the International Capital Market Association which was created on 1 July 2005 following the merger of the International Primary Market Association with the International Securities Markets Association;
- (iv) NASDAQ;
- (v) the market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;
- (vi) the over-the-counter market in the US conducted by primary and secondary dealers regulated by the Securities and Exchange Commission and by the National Association of Securities Dealers, Inc. and by banking institutions regulated by the US Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation;

- (vii) the market conducted by listed money market institutions as described in the UK Financial Services Authority publication entitled “The Regulation of the Wholesale Cash and OTC Derivatives Markets: ‘The Grey Paper’” dated April 1988 (as amended or revised from time to time);
- (viii) the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
- (ix) the French Market for Titres de Créance Négociable (over-the-counter market in negotiable debt instruments);
- (x) NASDAQ Europe<sup>1</sup>;
- (xi) the over-the-counter market in Canadian government bonds regulated by the Investment Dealers Association of Canada;
- (xii) AIM - the Alternative Investment Market in the UK regulated by the London Stock Exchange; and
- (xiii) the market in Irish government bonds conducted by primary dealers recognised by the National Treasury Management Agency of Ireland

With the exception of permitted investments in unlisted securities or in shares or units of open-ended collective investment schemes, investment will be restricted to those stock exchanges and markets listed in the Prospectus.

The investments of any fund may comprise in whole or in part financial derivative instruments dealt in on any stock exchange the market organised by the International Capital Market Association which was created on 1 July 2005 following the merger of the International Primary Market Association with the International Securities Markets Association; the over-the-counter market in the US conducted by primary and secondary dealers regulated by the Securities and Exchange Commission and by the National Association of Securities Dealers, Inc. and by banking institutions regulated by the US Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation; the market conducted by listed money market institutions as described in the Financial Services Authority publication entitled “The Regulation of the Wholesale Cash and OTC Derivatives Markets”: “The Grey Paper” (as amended or revised from time to time); the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan; AIM - the Alternative Investment Market in the U.K. regulated by the London Stock Exchange; the French Market for Titres de Créance Négociable (over-the-counter market in negotiable debt instruments); the over-the-counter market in Canadian government bonds regulated by the Investment Dealers Association of Canada; the American Stock Exchange, Australian Stock Exchange, Bolsa Mexicana de Valores, Chicago Board of Trade, Chicago Board Options Exchange, Chicago Mercantile Exchange, Copenhagen Stock Exchange (including FUTOP), Eurex Deutschland, Euronext Amsterdam, OMX Exchange Helsinki, Hong Kong Stock Exchange, Kansas City Board of Trade, Financial Futures and Options Exchange, Euronext Paris, MEFF Rent Fiji, MEFF Renta Variable, Montreal Stock Exchange, New York Futures Exchange, New York Mercantile Exchange, New York Stock Exchange, New Zealand Futures and Options Exchange, EDX London, OM Stockholm AB, Osaka Securities Exchange, Pacific Stock Exchange, Philadelphia Board of Trade, Philadelphia Stock Exchange, Singapore Stock Exchange, South Africa Futures Exchange (SAFEX), Sydney Futures Exchange, The National Association of Securities Dealers Automated Quotations System (NASDAQ); Tokyo Stock Exchange; Toronto Stock Exchange.

These exchanges are listed in accordance with the requirements of the Central Bank which does not issue a list of approved exchanges.

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<sup>1</sup> NASDAQ Europe is a recently formed market and the general level of liquidity may not compare favourably to that found on more established exchanges.

**SCHEDULE II**  
**Investment Techniques and Instruments**

**Permitted Financial Derivative Instruments (“FDP”)**

1. A Fund may invest in FDI provided that:
  - 1.1 the relevant reference items or indices consist of one or more of the following: instruments referred to in paragraph 1(i) to (vi) of UCITS Notice 9 including financial instruments having one or several characteristics of those assets; financial indices; interest rates; foreign exchange rates or currencies; and
  - 1.2 the FDI do not expose the Fund to risks which it could not otherwise assume (e.g. gain exposure to an instrument/issuer/currency to which the Fund cannot have a direct exposure);
  - 1.3 the FDI do not cause the Fund to diverge from its investment objectives; and
  - 1.4 the reference in 1.1 above to financial indices shall be understood as a reference to indices which fulfil the following criteria and the provisions of Guidance Note 2/07:
    - (a) they are sufficiently diversified, in that the following criteria are fulfilled:
      - (i) the index is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
      - (ii) where the index is composed of assets referred to in Regulation 68(1) of the Regulations, its composition is at least diversified in accordance with Regulation 71 of the Regulations;
      - (iii) where the index is composed of assets other than those referred to in Regulation 68(1) of the Regulations, it is diversified in a way which is equivalent to that provided for in Regulation 71 of the Regulations;
    - (b) they represent an adequate benchmark for the market to which they refer, in that the following criteria are fulfilled:
      - (i) the index measures the performance of a representative group of underlyings in a relevant and appropriate way;
      - (ii) the index is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers following criteria which are publicly available;
      - (iii) the underlyings are sufficiently liquid, which allows users to replicate the index, if necessary;
    - (c) they are published in an appropriate manner, in that the following criteria are fulfilled:
      - (i) their publication process relies on sound procedures to collect prices and to calculate and to subsequently publish the index value, including pricing procedures for components where a market price is not available;

- (ii) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- (A) Where the composition of assets which are used as underlyings by FDI does not fulfil the criteria set out in (a), (b) or (c) above, those FDI shall, where they comply with the criteria set out in Regulation 68(1)(g) of the Regulations, be regarded as FDI on a combination of the assets referred to in Regulation 68(1)(g)(i) of the Regulations, excluding financial indices.

## 2. Credit derivatives

- (a) Credit derivatives are permitted where:
  - (i) they allow the transfer of the credit risk of an asset as referred to in paragraph 1(i) above, independently from the other risks associated with that asset;
  - (ii) they do not result in the delivery or in the transfer, including in the form of cash, of assets other than those referred to in Regulations 68(1) and (2) of the Regulations;
  - (iii) they comply with the criteria for OTC derivatives set out in paragraph 4 below; and
  - (iv) their risks are adequately captured by the risk management process of the UCITS, and by its internal control mechanisms in the case of risks of asymmetry of information between the UCITS and the counterparty to the credit derivative resulting from potential access of the counterparty to non-public information on firms the assets of which are used as underlyings by credit derivatives. The UCITS must undertake the risk assessment with the highest care when the counterparty to the FDI is a related party of the UCITS or the credit risk issuer.

3. FDI must be dealt in on a Regulated Market. Restrictions in respect of individual stock exchanges and markets may be imposed by the Central Bank on a case by case basis.

4. Notwithstanding paragraph 3, a Fund may invest in FDI dealt in over-the-counter ("OTC derivatives") provided that:

- 4.1 the counterparty is a credit institution listed in sub-paragraphs 1.4(i), (ii) or (iii) of UCITS Notice 9 or an investment firm, authorised in accordance with the Markets in Financial Instruments Directive in an EEA member state, or is an entity subject to regulation as a Consolidated Supervised Entity ("CSE") by the US Securities and Exchange Commission;
- 4.2 in the case of a counterparty which is not a credit institution, the counterparty has a minimum credit rating of A2 or equivalent, or is deemed by the Fund to have an implied rating of A2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the Fund is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent;
- 4.3 risk exposure to the counterparty does not exceed the limits set out in Regulation 70(1)(c) of the Regulations. In this regard the Fund shall calculate the counterparty exposure using the positive mark-to-market value of the OTC derivative contract with that counterparty.

The Fund may net its FDI positions with the same counterparty, provided that the Fund is able to legally enforce netting arrangements with the counterparty. Netting is only permissible with respect to OTC derivative instruments with the same counterparty and not in relation to any other exposures the Fund may have with the same counterparty;

- 4.4 the Fund is satisfied that: (a) the counterparty will value the transaction with reasonable accuracy and on a reliable basis; and (b) the OTC derivative can be sold, liquidated or closed out by an offsetting transaction at fair value at any time at the Fund's initiative ;
- 4.5 the UCITS must subject its OTC derivatives to reliable and verifiable valuation on a daily basis and ensure that it has appropriate systems, controls and processes in place to achieve this. The valuation arrangements and procedures must be adequate and proportionate to the nature and complexity of the OTC derivative concerned and shall be adequately documented; and
- 4.6 reliable and verifiable valuation shall be understood as a reference to a valuation, by the UCITS, corresponding to fair value which does not rely on market quotations by the counterparty and which fulfils the following criteria:
  - (a) the basis for the valuation is either a reliable up-to-date market value of the instrument, or, if such value is not available, a pricing model using an adequate recognised methodology;
  - (b) verification of the valuation is carried out by one of the following:
    - (i) an appropriate third party which is independent from the counterparty of the OTC-derivative, at an adequate frequency and in such a way that the UCITS is able to check it;
    - (ii) a unit within the UCITS which is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.
5. Risk exposure to an OTC derivative counterparty may be reduced where the counterparty will provide the Fund with collateral. The Fund may disregard the counterparty risk in circumstances where the value of the collateral, valued at market price and taking into account appropriate discounts, exceeds the value of the amount exposed to risk at any given time.
6. Collateral received must at all times meet with the following criteria:
  - (i) **liquidity**: collateral must be sufficiently liquid in order that it can be sold quickly at a robust price that is close to its pre-sale valuation;
  - (ii) **valuation**: collateral must be capable of being valued on at least a daily basis and must be marked to market daily;
  - (iii) **issuer credit quality**: where the collateral issuer is not rated A-1 or equivalent, conservative haircuts must be applied;
  - (iv) **safe-keeping**: collateral must be transferred to the Custodian, or its agent;
  - (v) **enforceable**: collateral must be immediately available to the UCITS, without recourse to the counterparty, in the event of a default by that entity;

- (vi) **non-cash collateral:**
  - (A) cannot be sold, pledged or re-invested;
  - (B) must be held at the risk of the counterparty;
  - (C) must be issued by an entity independent of the counterparty; and
  - (D) must be diversified to avoid concentration risk in one issue, sector or country.
- (vii) **cash collateral** must only be invested in risk-free assets.

7. Collateral passed to an OTC derivative counterparty by or on behalf of a Fund must be taken into account in calculating exposure of the Fund to counterparty risk as referred to in Regulation 70(1)(c) of the Regulations. Collateral passed may be taken into account on a net basis only if the Fund is able to legally enforce netting arrangements with this counterparty.

#### **Global exposure; Calculation of issuer concentration risk and counterparty exposure risk**

- 8. A Fund using the commitment approach must ensure that its global exposure does not exceed its total Net Asset Value. The Fund may not therefore be leveraged in excess of 100% of its Net Asset Value.
  - (b) Each Fund must calculate issuer concentration limits as referred to in Regulation 70 of the Regulations on the basis of the underlying exposure created through the use of FDI pursuant to the commitment approach.
- 9. The calculation of exposure arising from OTC FDI transactions must include any exposure to OTC derivative counterparty risk.
- 10. A Fund must calculate exposure arising from initial margin posted to, and variation margin receivable from, a broker relating to exchange-traded or OTC derivative, which is not protected by client money rules or other similar arrangements to protect the Fund against the insolvency of the broker, within the OTC derivative counterparty limit referred to in Regulation 70(1)(c) of the Regulations.
- 11. The calculation of issuer concentration limits as referred to in Regulation 70 of the Regulations must take account of any net exposure to a counterparty generated through a stocklending or repurchase agreement. Net exposure refers to the amount receivable by a UCITS less any collateral provided by the UCITS. Exposures created through the reinvestment of collateral must also be taken into account in the issuer concentration calculations.
- 12. When calculating exposures for the purposes of Regulation 70 of the Regulations, a UCITS must establish whether its exposure is to an OTC counterparty, a broker or a clearing house.
- 13. Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities, money market instruments or collective investment schemes when combined, where relevant, with positions resulting from direct investments, may not exceed the investment limits set out in Regulations 70 and 73 of the Regulations. When calculating issuer-concentration risk, the FDI (including embedded FDI) must be looked through in determining the resultant position exposure. This position exposure must be taken into account in the issuer concentration calculations. Issuer concentration must be calculated using the commitment approach when appropriate or the maximum potential loss as a result of default by the issuer if more conservative. It must also be calculated by all Funds, regardless of whether they use VaR for global exposure purposes.

14. This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in Regulation 71(1) of the Regulations.
15. A transferable security or money market instrument embedding a FDI shall be understood as a reference to financial instruments which fulfil the criteria for transferable securities or money market instruments set out in UCITS Notice 9 and which contain a component which fulfils the following criteria:
  - (a) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or money market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - (b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract;
  - (c) it has a significant impact on the risk profile and pricing of the transferable security or money market instrument.
16. A transferable security or a money market instrument shall not be regarded as embedding a FDI where it contains a component which is contractually transferable independently of the transferable security or the money market instrument. Such a component shall be deemed to be a separate financial instrument.

#### **Cover requirements**

17. A Fund must, at any given time, be capable of meeting all its payment and delivery obligations incurred by transactions involving FDI.
18. Monitoring of FDI transactions to ensure they are adequately covered must form part of the risk management process of the Fund.
19. A transaction in FDI which gives rise, or may give rise, to a future commitment on behalf of a Fund must be covered as follows:
  - (i) in the case of FDI which automatically, or at the discretion of the Fund, are cash settled, a Fund must hold, at all times, liquid assets which are sufficient to cover the exposure; and
  - (ii) in the case of FDI which require physical delivery of the underlying asset, the asset must be held at all times by a Fund. Alternatively a Fund may cover the exposure with sufficient liquid assets where:
    - (A) the underlying assets consists of highly liquid fixed income securities; and/or
    - (B) the Fund considers that the exposure can be adequately covered without the need to hold the underlying assets, the specific FDI are addressed in the risk management process, which is described below, and details are provided in the Prospectus.

#### **Risk management process and reporting**

20. A Fund must provide the Central Bank with details of its proposed risk management process vis-à-vis its FDI activity. The initial filing is required to include information in relation to:

- permitted types of FDI, including embedded derivatives in transferable securities and money market instruments;
  - details of the underlying risks;
  - relevant quantitative limits and how these will be monitored and enforced; and
  - methods for estimating risks.
21. Material amendments to the initial filing must be notified to the Central Bank in advance. The Central Bank may object to the amendments notified to it and amendments and/or associated activities objected to by the Central Bank may not be made.
22. The Company must submit a report to the Central Bank on its FDI positions on an annual basis. The report, which must include information which reflects a true and fair view of the types of FDI used by the Funds, the underlying risks, the quantitative units and the methods used to estimate those risks, must be submitted with the annual report of the Company . The Company must, at the request of the Central Bank, provide this report at any time.

### **Repurchase Agreements, Reverse Repurchase Agreements and Stocklending Agreements**

23. Repurchase/reverse repurchase agreements (“repo contracts”) and stocklending agreements may only be effected in accordance with normal market practice.
24. Collateral obtained under a repo contract or stocklending agreement must at all times meet with the following criteria:
- (a) **liquidity:** collateral must be sufficiently liquid in order that it can be sold quickly at a robust price that is close to its pre-sale valuation;
  - (b) **valuation:** collateral must be capable of being valued on at least a daily basis and must be marked to market daily;
  - (c) **issuer credit quality:** where the collateral issuer is not rated A-1 or equivalent conservative haircuts must be applied.
25. Until the expiry of the repo contract or stocklending transaction, collateral obtained under such contracts or transactions:
- (a) must equal or exceed, in value, at all times the value of the amount invested or securities loaned;
  - (b) must be transferred to the Custodian, or its agent; and
  - (c) must be immediately available to the Fund, without recourse to the counterparty, in the event of a default by that entity.

Paragraph (b) is not applicable in the event that the Fund uses tri-party collateral management services of International Central Securities Depositories or relevant institutions which are generally recognised as specialists in this type of transaction. The trustee must be a named participant to the collateral arrangements.

26. Non-cash collateral:
- (a) cannot be sold, pledged or re-invested;
  - (b) must be held at the credit risk of the counterparty;
  - (c) must be issued by an entity independent of the counterparty; and
  - (d) must be diversified to avoid concentration in one issue, sector or country.

27. Cash collateral:

Cash may not be invested other than in the following:

- (a) deposits with relevant institutions;
  - (b) government or other public securities;
  - (c) certificates of deposit issued by relevant institutions;
  - (d) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by relevant institutions;
  - (e) repurchase agreements, provided collateral received falls under categories (a) – (d) and (f) of this paragraph; and
  - (f) daily dealing money market funds which have and maintain a rating of AAA or equivalent. If investment is made in a linked fund, as described in paragraph 1.3 of UCITS Notice 9 issued by the Central Bank, no subscription, conversion or redemption charge can be made by the underlying money market fund.
28. Invested cash collateral held at the risk of the Fund, other than cash collateral invested in government or other public securities or money market funds, must be invested in a diversified manner. A Fund must be satisfied at all times that any investment of cash collateral will enable it to meet with its repayment obligations.
29. Invested cash collateral may not be placed on deposit with, or invested in securities issued by, the counterparty or a related entity.
30. Notwithstanding the provisions of paragraph 23(b) above, a Fund may enter into stocklending programmes organised by generally recognised International Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.
31. Without prejudice to the requirements above, a Fund may be permitted to undertake repo transactions pursuant to which additional leverage is generated through the re-investment of collateral. In this case the repo transaction must be taken into consideration for the determination of global exposure as required by paragraph 21 of UCITS Notice 10. Any global exposure generated must be added to the global exposure created through the use of FDI and, in the case of Funds which use the commitment approach to measure global exposure, the total of these must not be greater than 100% of the Net Asset Value of the Fund. Where collateral is re-invested in financial assets that provide a return in excess of the risk-free return, the Fund must include, in the calculation of global exposure: (1) the amount received, if cash collateral is held; and (2) the market value of the instrument concerned, if non-cash collateral is held.
32. The counterparty to a repo contract or stocklending agreement must have a minimum credit rating of A2 or equivalent, or must be deemed by the Fund to have an implied rating of A2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the Fund is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent.
33. The Fund must have the right to terminate the stocklending agreement at any time and demand the return of any or all of the securities loaned. The agreement must provide that, once such notice is given, the borrower is obligated to redeliver the securities within 5 Business Days or other period as normal market practice dictates.
34. Repo contracts or stock borrowing or stocklending agreements do not constitute borrowing or lending for the purposes of Regulation 103 and Regulation 111 of the Regulations respectively.

**SCHEDULE III**  
**Investment Restrictions**

<b>1</b>	<b>Permitted Investments</b>
	Investments of a UCITS are confined to:
<b>1.1</b>	Transferable securities and money market instruments, as prescribed in the UCITS Notices, which are either admitted to official listing on a stock exchange in a Member State or non-Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in a Member State or non-Member State.
<b>1.2</b>	Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
<b>1.3</b>	Money market instruments, as defined in the UCITS Notices, other than those dealt on a regulated market.
<b>1.4</b>	Units of UCITS.
<b>1.5</b>	Units of non-UCITS as set out in the Central Bank's Guidance Note 2/03.
<b>1.6</b>	Deposits with credit institutions as prescribed in the UCITS Notices.
<b>1.7</b>	Financial derivative instruments as prescribed in the UCITS Notices.
<b>2</b>	<b>Investment Restrictions</b>
<b>2.1</b>	A UCITS may invest no more than 10% of net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
<b>2.2</b>	A UCITS may invest no more than 10% of net assets in recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described in paragraph 1.1) within a year. This restriction will not apply in relation to investment by the UCITS in certain US securities known as Rule 144A securities provided that: <ul style="list-style-type: none"> <li>- the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and</li> <li>- the securities are not illiquid securities i.e. they may be realised by the UCITS within seven days at the price, or approximately at the price, at which they are valued by the UCITS.</li> </ul>
<b>2.3</b>	A UCITS may invest no more than 10% of net assets in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.
<b>2.4</b>	The limit of 10% (in 2.3) is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. If a UCITS invests more than 5% of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the net asset value of the UCITS.
<b>2.5</b>	The limit of 10% (in 2.3) is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by a Member State or its local authorities or by a non-Member State or public international body of which one or more Member States are members.
<b>2.6</b>	The transferable securities and money market instruments referred to in 2.4 and 2.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in 2.3.
<b>2.7</b>	A UCITS may not invest more than 20% of net assets in deposits made with the same credit institution. <p>Deposits with any one credit institution, other than</p> <ul style="list-style-type: none"> <li>• a credit institution authorised in the EEA (European Union Member States, Norway, Iceland,</li> </ul>

	<p>Liechtenstein);</p> <ul style="list-style-type: none"> <li>• a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States); or</li> <li>• a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand held as ancillary liquidity, must not exceed 10% of net assets.</li> </ul> <p>This limit may be raised to 20% in the case of deposits made with the trustee/custodian.</p>
<b>2.8</b>	<p>The risk exposure of a UCITS to a counterparty to an OTC derivative may not exceed 5% of net assets.</p> <p>This limit is raised to 10% in the case of a credit institution authorised in the EEA; a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988; or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand</p>
<b>2.9</b>	<p>Notwithstanding paragraphs 2.3, 2.7 and 2.8 above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of net assets:</p> <ul style="list-style-type: none"> <li>- investments in transferable securities or money market instruments;</li> <li>- deposits, and/or</li> <li>- counterparty risk exposures arising from OTC derivatives transactions.</li> </ul>
<b>2.10</b>	<p>The limits referred to in 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9 above may not be combined, so that exposure to a single body shall not exceed 35% of net assets.</p>
<b>2.11</b>	<p>Group companies are regarded as a single issuer for the purposes of 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.</p>
<b>2.12</b>	<p>A UCITS may invest up to 100% of net assets in different transferable securities and money market instruments issued or guaranteed by any Member State, its local authorities, non-Member States or public international body of which one or more Member States are members.</p> <p>The individual issuers must be listed in the prospectus and may be drawn from the following list:  OECD Governments (provided the relevant issues are investment grade), Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC.</p> <p>The UCITS must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of net assets.</p>
<b>3</b>	<b>Investment in Collective Investment Schemes (“CIS”)</b>
<b>3.1</b>	<p>A UCITS may not invest more than 20% of net assets in any one CIS.</p>
<b>3.2</b>	<p>Investment in non-UCITS may not, in aggregate, exceed 30% of net assets.</p>
<b>3.3</b>	<p>The CIS are prohibited from investing more than 10% of net assets in other open-ended CIS.</p>

3.4	When a UCITS invests in the units of other CIS that are managed, directly or by delegation, by the UCITS management company or by any other company with which the UCITS management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription, conversion or redemption fees on account of the UCITS investment in the units of such other CIS.
3.5	Where a commission (including a rebated commission) is received by the UCITS manager/investment manager/investment adviser by virtue of an investment in the units of another CIS, this commission must be paid into the property of the UCITS.
4	<b>Index Tracking UCITS</b>
4.1	A UCITS may invest up to 20% of net assets in shares and/or debt securities issued by the same body where the investment policy of the UCITS is to replicate an index which satisfies the criteria set out in the UCITS Notices and is recognised by the Central Bank
4.2	The limit in 4.1 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.
5	<b>General Provisions</b>
5.1	An investment company, or management company acting in connection with all of the CIS it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
5.2	<p>A UCITS may acquire no more than:</p> <ul style="list-style-type: none"> <li>(i) 10% of the non-voting shares of any single issuing body;</li> <li>(ii) 10% of the debt securities of any single issuing body;</li> <li>(iii) 25% of the units of any single CIS;</li> <li>(iv) 10% of the money market instruments of any single issuing body.</li> </ul> <p>NOTE: The limits laid down in (ii), (iii) and (iv) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.</p>
5.3	<p>5.1 and 5.2 shall not be applicable to:</p> <ul style="list-style-type: none"> <li>(i) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;</li> <li>(ii) transferable securities and money market instruments issued or guaranteed by a non-Member State;</li> <li>(iii) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;</li> <li>(iv) shares held by a UCITS in the capital of a company incorporated in a non-member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the UCITS can invest in the securities of issuing bodies of that State. This waiver is applicable only if in its investment policies the company from the non-Member State complies with the limits laid down in 2.3 to 2.11, 3.1, 3.2, 5.1, 5.2, 5.4, 5.5 and 5.6, and provided that where these limits are exceeded, paragraphs 5.5 and 5.6 below are observed.</li> <li>(v) Shares held by an investment company or investment companies in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unit-holders' request exclusively on their behalf</li> </ul>
5.4	UCITS need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of their assets.
5.5	The Central Bank may allow recently authorised UCITS to derogate from the provisions of 2.3 to 2.12, 3.1, 3.2, 4.1 and 4.2 for six months following the date of their authorisation, provided they observe the

	principle of risk spreading.
<b>5.6</b>	If the limits laid down herein are exceeded for reasons beyond the control of a UCITS, or as a result of the exercise of subscription rights, the UCITS must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its unitholders.
<b>5.7</b>	Neither an investment company, nor a management company or a trustee acting on behalf of a unit trust or a management company of a common contractual fund, may carry out uncovered sales of: <ul style="list-style-type: none"> <li>- transferable securities;</li> <li>- money market instruments*;</li> <li>- units of CIS; or</li> <li>- financial derivative instruments.</li> </ul>
<b>5.8</b>	A UCITS may hold ancillary liquid assets.
<b>6</b>	<b>Financial Derivative Instruments ('FDIs')</b>
<b>6.1</b>	The UCITS global exposure (as prescribed in the UCITS Notices) relating to FDI must not exceed its total net asset value.
<b>6.2</b>	Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the UCITS Notices. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the UCITS Notices.)
<b>6.3</b>	UCITS may invest in FDIs dealt in over-the-counter (OTC) provided that <ul style="list-style-type: none"> <li>- The counterparties to over-the-counter transactions (OTCs) are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.</li> </ul>
<b>6.4</b>	Investment in FDIs are subject to the conditions and limits laid down by the Central Bank.

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\* Any short selling of money market instruments by UCITS is prohibited