

**BOC (Europe) UCITS SICAV**  
**Investment company with variable capital with multiple sub-funds**

**PROSPECTUS**

**JULY 2020**

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## IMPORTANT INFORMATION

THE INFORMATION IN THIS PROSPECTUS IS BASED ON THE DIRECTORS' UNDERSTANDING OF CURRENT LAW AND PRACTICE (INCLUDING AS TO TAXATION) AT THE DATE HEREOF. BOTH LAW AND PRACTICE MAY BE SUBJECT TO CHANGE. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.

It should be remembered that the price of shares of the Company and income from them can go down as well as up and that investors may not receive back the amount they originally invested.

Shares are available for issue on the basis of the information and representations contained in this Prospectus and the relevant Key Investor Information Documents. Any further information given or representations made by any person with respect to any shares must be regarded as unauthorised.

All Classes of shares of all Sub-Funds that are in issue may be listed on the Luxembourg Stock Exchange or on any other recognised stock exchange. Trading in shares of the Company on a stock exchange will be in accordance with the rules and regulations of the relevant stock exchange and subject to normal brokerage fees.

The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make misleading any statement herein whether of fact or opinion. All the Directors accept responsibility accordingly.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer is unlawful 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.

The shares of the Company have not been and will not be offered for sale or sold in the United States of America ("US"), its territories or possessions and all areas subject to its jurisdiction, or to United States Persons, except in a transaction which does not violate the securities laws of the USA. The Articles of Incorporation permit certain restrictions on the sale and transfer of shares to restricted persons and the Board of Directors has decided that United States Persons shall be restricted persons. If a shareholder subsequently becomes a United States Person and such fact comes to the attention of the Company, shares owned by that person may be compulsorily repurchased by the Company.

The shares of the Company have not been and will not be registered under the United States Securities Act of 1933 for offer or sale as part of their distribution and the Company has not been and will not be registered under the United States Investment Company Act of 1940. Furthermore, the Company may not privately place its shares in the United States.

Investors and applicants should note that under the Foreign Account Tax Compliance Act ("FATCA") details of US investors holding assets outside the US will be reported by financial institutions to the Internal Revenue Service ("IRS"), as a safeguard against US tax evasion. As a result, and to discourage non-US financial institutions from staying outside this regime, financial institutions that do not comply with the regime will be subject to a 30% withholding tax penalty with respect to certain US sourced income (including dividends) and gross proceeds from the sale or other disposal of property that can produce US sourced income. In order to protect the shareholders from the effect of any withholding penalty, it is the intention of the Company to be compliant with the requirements of the FATCA regime as this applies to entities such as the Company. For further details please refer to Section 21. "Taxation".

In order to protect the interest of all shareholders, the Company reserves the right without further notice to restrict or prevent the sale and transfer of shares to persons targeted by FATCA as permitted by the Articles of Incorporation.

The distribution of this Prospectus and the offering of the shares may be restricted in certain jurisdictions. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions. Prospective applicants for shares should inform themselves as to legal requirements so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

The key investor information documents of each Class of each Sub-Fund (the "Key Investor Information Documents"), the latest annual and semi-annual reports of the Company (if any), are available at the registered office of the Company and will be sent to investors upon request. Such reports shall be deemed to form part of this Prospectus.

Before subscribing to any Class and to the extent required by local laws and regulations each investor shall consult the relevant Key Investor Information Document(s). The Key Investor Information Documents provide information in particular on historical performance, the synthetic risk and reward indicator and charges. Investors may obtain the Key Investor Information Documents in paper form or on any other durable medium agreed between the Company or the intermediary and the investor.

The Board of Directors draws the investors' attention to the fact that an investor will only be able to fully exercise its investor rights directly against the Company, notably the right to participate in general meetings of shareholders if the investor is itself registered and in its own name in the Company's register of shareholders maintained by the Registrar and Transfer Agent. In cases where an investor invests in the Company through an intermediary investing into the Company in its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Company. Investors should seek advice from their professional adviser or intermediary on their rights in the Company.

## **Data Protection**

In accordance with the EU Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC accompanied with any implementing legislation applicable to them (together, the "**Data Protection Law**"), personal data of investors (including prospective investors) and of other individuals (including, but not limited to, directors, managers, agents and other representatives or employees of the investors) whose personal information ("**Data Subject**"), collected and provided to the Company and the Management Company in the context of the investor's investments in the Company may be stored on computer systems by electronic means or other means and processed by the Company as data controller, and may be processed in certain circumstances by the Management Company and third party service providers acting as their delegates such as the central administration, as a data processor of the Company.

In certain circumstances, the Management Company and the delegates of the Company acting as data processor may however also act as data controller if and when processing personal data for the purposes of complying with their own legal and regulatory obligations (in particular in the context of their own AML and KYC related processes).

The Company is committed to protecting the personal data of the Data Subjects, and have taken all necessary steps, to ensure compliance with the Data Protection Law in respect of personal data processed by it in connection with investments made into the Company.

This includes (non-exclusively) actions required in relation to: information about processing of the investors' personal data and, as the case may be, consent mechanisms; procedures for responding to requests to exercise individual rights; contractual arrangements with suppliers and other third parties; security measures; arrangements for overseas data transfers and record keeping and reporting policies and procedures.

Personal data shall have the meaning given in the Data Protection Law and includes (non-exclusively) any information relating to an identified or identifiable individual, such as the investor's name, address, invested amount, the investor's individual representatives' names as well as the name of the ultimate beneficial owner, where applicable, and such investor's bank account details.

Personal data will be processed for the purpose of performing the Company's, the Management Company's or the delegates' contractual obligations such as administration and management of the shares, processing of subscriptions, redemptions and conversions, and will also be processed in compliance with the legal obligations under Luxembourg law (such as the 2010 Law and the law of 10 August 1915 on commercial companies (as amended), prevention of terrorism financing and anti-money laundering legislation, prevention and detection of crime, tax law) and all other laws and regulations as may be issued by the European competent authorities, where necessary for the purposes of the Company's, the Management Company's or their delegates' legitimate interests.

Personal data provided directly by Data Subjects in the course of their relationship with the Company, in particular their correspondence and conversation with the Company, the Management Company or their delegates may be recorded, and processed in compliance with the Data Protection Law.

The Company, the Management Company or their delegates may share the personal data to their affiliates and to other entities which may be located outside the EEA. In such case they will ensure that the personal data are protected by appropriate safeguards.

The personal data may also be shared, in exceptional circumstances, with any courts and/or legal, regulatory, tax, government authorities in various jurisdictions as required by applicable law or regulation.

In compliance with the Data Protection Law, the Data Subjects have certain rights including the right to access their personal data, the right to have incomplete or inaccurate personal data corrected, the right to object to and to restrict the use of the personal data, the right to ask for the deletion of their personal data, the right to receive their personal data in a structured, commonly used and machine-readable formatted and to transmit those data to another controller.

The Data Subjects have the right to submit queries or lodge a complaint about the processing of their personal data with the relevant data protection authority.

The personal data are not kept for longer than is necessary for the purposes for which they are processed.

When subscribing to the shares, each investor will be informed of the processing of his/her personal data (or, when the investor is a legal person, of the processing of such investor's individual representatives and/or ultimate beneficial owners' personal data) via a data protection notice which will be made available i) in the application form issued by the Company to the investors and ii) at the registered office of the Company upon request. This data protection notice will inform the investors about the processing activities undertaken by the Company, the Management Company and their delegates in more details.

<b>DIRECTORY</b>
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**Registered Office of the Company**

5, Allée Scheffer  
L-2520 Luxembourg  
Grand Duchy of Luxembourg

**Board of Directors of the Company**

- Mr Chen Longjian (Chairman)
- Mr Jun Yang
- Mr Carlo A. Montagna

**Management Company**

Luxcellence Management Company S.A.  
5, Allée Scheffer  
L-2520 Luxembourg  
Grand Duchy of Luxembourg

**Depository Bank**

CACEIS Bank, Luxembourg Branch  
5, Allée Scheffer  
L-2520 Luxembourg  
Grand Duchy of Luxembourg

**Administration Agent, Paying Agent, Registrar and Transfer Agent and Domiciliary Agent**

CACEIS Bank, Luxembourg Branch  
5, Allée Scheffer  
L-2520 Luxembourg  
Grand Duchy of Luxembourg

**Auditor**

Deloitte Audit  
560, rue de Neudorf  
L-2220 Luxembourg  
Grand Duchy of Luxembourg

**Legal Advisers**

Elvinger Hoss Prussen  
*société anonyme*  
2, Place Winston Churchill  
L-2014 Luxembourg  
Grand Duchy of Luxembourg

**Investment Manager**

BOCHK Asset Management Limited  
5/F, Bank of China Building  
2A Des Voeux Road Central  
Hong Kong

**Global Distributor**

Bank of China (Luxembourg) S.A.  
37/39, boulevard du Prince Henri  
L-1724 Luxembourg  
Grand Duchy of Luxembourg

## GLOSSARY

<b>1915 Law</b>	Luxembourg Law of 10 August 1915 relating to commercial companies, as amended.
<b>2010 Law</b>	Luxembourg Law of 17 December 2010 on undertakings for collective investment, as amended, implementing Directive 2009/65/EC into Luxembourg law.
<b>Administration Agent</b>	CACEIS Bank, Luxembourg Branch, acting in its capacity as administration agent of the Company.
<b>Application Form</b>	The application form available at the registered office of the Company and from distributors (if any).
<b>Articles of Incorporation</b>	The articles of incorporation of the Company, as may be amended from time to time.
<b>Auditor</b>	Deloitte Audit, Luxembourg.
<b>Base Currency</b>	The base currency of a Sub Fund, as disclosed in the relevant Sub-Fund Particular.
<b>Board of Directors</b>	The board of directors of the Company.
<b>Business Day</b>	Any full day on which the banks are open for normal business banking in Luxembourg and other relevant jurisdictions as further detailed in the relevant Sub-Fund Particular.
<b>China or PRC</b>	The People's Republic of China (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region) and the term "Chinese" shall be construed accordingly.
<b>CIBM</b>	The China Inter-bank Bond Market.
<b>Class(es)</b>	Separate classes of shares (hereinafter referred to as a "Class") whose assets will be commonly invested but where a specific initial or redemption charge structure, fee structure, minimum subscription amount, currency, dividend policy or other feature may be applied. If different Classes are issued within a Sub-Fund, the details of each Class are described in the relevant Sub-Fund Particular.
<b>Company</b>	BOC (Europe) UCITS SICAV.
<b>CSRC</b>	The China Securities Regulatory Commission.
<b>CSSF</b>	<i>Commission de Surveillance du Secteur Financier</i> , the Luxembourg supervisory authority.
<b>Currency Hedged</b>	Where a Class is described as currency hedged (a "Currency Hedged Class"),

<b>Class(es)</b>	the intention will be to systematically hedge (i) the value of the net assets in the Base Currency of the relevant Sub-Fund attributable to the Currency Hedged Classes into the Reference Currency of the Currency Hedged Classes ("NAV Hedge") or (ii) the currency exposure of certain assets of the relevant Sub-Fund into the Reference Currency of the Currency Hedged Classes ("Portfolio Hedge").
<b>Dealing Day</b>	Any Business Day on which shares are issued or redeemed as detailed for each Sub-Fund in the relevant Sub-Fund Particular.
<b>Depository Bank</b>	CACEIS Bank, Luxembourg Branch, acting in its capacity, as depository bank of the Company.
<b>Directors</b>	The members of the Board of Directors.
<b>EEA</b>	European Economic Area.
<b>Emerging Markets</b>	Emerging markets are those markets in countries that are not amongst the following groups of industrialised countries: United States and Canada, Switzerland and Members of the European Economic Area, Japan, Australia and New Zealand, and may include those countries in the preceding groups that do not have fully developed financial markets.
<b>ESMA</b>	The European Securities and Markets Authority.
<b>EU</b>	European Union.
<b>EUR</b>	The legal currency of the European Union (the "Euro").
<b>Eligible State</b>	Any Member State of the European Union ("EU") or any other state in Eastern and Western Europe, Asia, Africa, Australia, North and South America and Oceania.
<b>G20</b>	The informal group of twenty finance ministers and central bank governors from twenty major economies: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, USA and the European Union.
<b>Institutional Investor(s)</b>	Institutional investor(s) within the meaning of article 174 of the 2010 Law.
<b>Mainland China</b>	Mainland China (excluding the Hong Kong and Macau Special Administrative Regions).
<b>Management Company</b>	Luxcellence Management Company S.A.
<b>Mémorial</b>	<i>Mémorial C, Recueil des Sociétés et Associations</i> , the former Luxembourg legal gazette which has been replaced by RESA as from 1 June 2016.

<b>Money Market Instruments</b>	Shall mean instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time.
<b>Net Asset Value per share</b>	The net asset value of any Class within any Sub-Fund determined in accordance with the relevant provisions detailed in section 11 "Net Asset Value and dealing prices".
<b>OECD</b>	Organisation for Economic Co-operation and Development.
<b>PRC Custodian</b>	Standard Chartered Bank (China) Limited.
<b>PRC Stock Exchanges</b>	The Shanghai Stock Exchange, the Shenzhen Stock Exchange and any other stock exchange that may open in the PRC in the future.
<b>Register</b>	The register of shareholders of the Company.
<b>Registrar and Transfer Agent</b>	CACEIS Bank, Luxembourg Branch, acting as registrar and transfer agent of the Company.
<b>Reference Currency</b>	The Reference Currency of a Class as disclosed in the relevant Sub-Fund Particular.
<b>Regulated Market</b>	A regulated market as defined in the Directive 2014/65/EU of 25 May 2014 on markets in financial instruments (Directive 2014/65/EU), namely a market which appears on the list of the regulated markets drawn up by each Member State, which functions regularly, is characterized by the fact that regulations issued or approved by the competent authorities define the conditions for the operation of the market, the conditions for access to the market and the conditions that must be satisfied by a financial instrument before it can effectively be dealt in on the market, requiring compliance with all the reporting and transparency requirements laid down by the Directive 2014/65/EU and any other market which is regulated, operates regularly and is recognised and open to the public in an Eligible State.
<b>RESA</b>	<i>Recueil Electronique des Sociétés et Associations</i> , Luxembourg's central electronic platform of official publication.
<b>RMB</b>	Renminbi, the official currency of the People's Republic of China, is used to denote the Chinese currency traded in the onshore and the offshore markets (primarily in Hong Kong SAR) - to be read as a reference to onshore Renminbi (CNY) and/or offshore Renminbi (CNH) as the context requires. For clarification purposes, all references to RMB in the name of a Class or in the Reference Currency and/or Base Currency must be understood as a reference to offshore RMB (CNH).
<b>RQFII</b>	A Renminbi qualified foreign institutional investor under the RQFII Regulations.
<b>RQFII Eligible Securities</b>	Securities and investments permitted to be held or made by a RQFII under the RQFII Regulations.

<b>RQFII Regulations</b>	The laws and regulations governing the establishment and operation of the Renminbi qualified foreign institutional investors regime in the PRC, as may be promulgated and/or amended from time to time.
<b>SAFE</b>	The PRC State Administration of Foreign Exchange.
<b>Sub-Fund</b>	A specific portfolio of assets and liabilities within the Company having its own Net Asset Value and represented by one or more Classes.
<b>Sub-Fund Particulars</b>	Part of the Prospectus containing information relating to each Sub-Fund.
<b>Transferable Securities</b>	Shall mean: <ul style="list-style-type: none"> <li>(a) shares and other securities equivalent to shares,</li> <li>(b) bonds and other debt instruments,</li> <li>(c) any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, excluding techniques and instruments relating to transferable securities and Money Market Instruments.</li> </ul>
<b>UCITS</b>	An Undertaking for collective investment in Transferable Securities and other eligible assets authorised pursuant to Directive 2009/65/EC.
<b>UCITS Rules</b>	The set of rules formed by Directive 2009/65/EC and any derived or connected EU or national act, statute, regulation, circular or binding guidelines.
<b>Other UCI</b>	An Undertaking for collective investment within the meaning of Article 1 paragraph (2), point (a) and point (b) of Directive 2009/65/EC.
<b>US Person</b>	A citizen or resident of the United States, a corporation, partnership or other entity created in or under the laws of the United States or any person falling within the definition of the term "United States Person" under Regulation S promulgated under the 1933 Act or under FATCA.
<b>USD</b>	The official currency of the United States of America (United States Dollar).
<b>Valuation Day</b>	Any Business Day on which the Net Asset Value is calculated as detailed for each Sub-Fund, in the relevant Sub-Fund Particular.

## GENERAL PART

### 1. STRUCTURE OF THE COMPANY

The Company is an umbrella investment company with variable capital (*société d'investissement à capital variable*) incorporated under the form of a *société anonyme* in the Grand Duchy of Luxembourg. It qualifies as an undertaking for collective investment in transferable securities ("UCITS") under Part I of the 2010 Law. As an umbrella structure, the Company may operate separate Sub-Funds, each being distinguished among others by their specific investment policy or any other specific feature as further detailed in the relevant Sub-Fund Particular. Within each Sub-Fund, different Classes with characteristics detailed in the relevant Sub-Fund Particular may be issued.

The Company constitutes a single legal entity, but the assets of each Sub-Fund are segregated from those of the other Sub-Fund(s) in accordance with the provisions of Article 181 of the 2010 Law. This means that the assets of each Sub-Fund shall be invested for the shareholders of the corresponding Sub-Fund and that the assets of a specific Sub-Fund are solely accountable for the liabilities, commitments and obligations of that Sub-Fund.

The Board of Directors may at any time resolve to set up new Sub-Fund(s) and/or create within each Sub-Fund one or more Classes. The Board of Directors may also at any time resolve to close a Sub-Fund, or one or more Classes within a Sub-Fund, to further subscriptions.

The Company was incorporated for an unlimited period in Luxembourg on 31 December 2015. The capital of the Company shall be equal at all times to its net assets. The minimum capital of the Company shall be the minimum prescribed by the 2010 Law, which at the date of this Prospectus is the equivalent of EUR 1,250,000. This minimum must be reached within a period of 6 months following the authorisation of the Company as a UCITS under the 2010 Law.

The Company was incorporated with an initial capital of EUR 31,000, divided into 310 fully paid up shares.

The Company is registered with the *Registre de Commerce et des Sociétés, Luxembourg* (Luxembourg register of commerce and companies) under number B 203075. The Articles of Incorporation are deposited with the *Registre de Commerce et des Sociétés, Luxembourg* and were published in the *Mémorial* on 27 January 2016.

The reference currency of the Company is the EUR and all the financial statements of the Company will be prepared in accordance with Luxembourg generally accepted accounting principles ("Luxembourg GAAP") and presented in EUR. The Base Currency of each Sub-Fund and Reference Currency of each Class is set out in the relevant Sub-Fund Particular.

### 2. INVESTMENT OBJECTIVES AND POLICIES OF THE COMPANY AND THE SUB-FUNDS

The Company seeks to provide a range of Sub-Fund(s) with the purpose of spreading investment risk and satisfying the requirements of investors seeking to gain capital growth as detailed for each Sub-

Fund in the relevant Sub-Fund Particular.

In pursuing the investment objectives of the Sub-Funds, the Directors at all times seek to maintain an appropriate level of liquidity in the assets of the relevant Sub-Fund so that redemptions of shares under normal circumstances may be made without undue delay upon request by the shareholders.

Whilst using their best endeavours to attain the investment objectives, the Directors cannot guarantee the extent to which these objectives will be achieved. The value of the shares and the income from them can fall as well as rise and investors may not realise the value of their initial investment. Changes in the rates of exchange between currencies may also cause the value of the shares to diminish or to increase.

### **3. RISK MANAGEMENT PROCESS**

The Management Company, on behalf of the Company, will employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each Sub-Fund in accordance with CSSF Circular 11/512 and/or any other applicable circular or regulation of the CSSF. The Management Company, on behalf of the Company, will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

Unless otherwise explicitly stated in the relevant Sub-Fund Particular, Sub-Funds will apply the commitment approach for measuring risk.

### **4. RISK CONSIDERATIONS**

**Investment in any Sub-Fund carries with it a degree of risk, including, but not limited to, those referred to below. Potential investors should read the Prospectus in its entirety, read the relevant Key Investor Information Document and consult with their legal, tax and financial advisers prior to making a decision to invest.**

**There can be no assurance that the Sub-Fund(s) of the Company will achieve their investment objectives and past performance should not be seen as a guide to future returns. An investment may also be affected by any changes in exchange control regulation, tax laws, withholding taxes and economic or monetary policies.**

#### ***Capital risk***

The Company does not provide its investors with any guarantee against the loss of capital. Accordingly, investors in the Company bear the risk of the loss of some or all of their investment in the Company.

### ***Market and settlement risks***

- The securities markets of some countries lack the liquidity, efficiency, regulatory and supervisory controls of more developed markets.
- Lack of liquidity may adversely affect the value or ease of disposal of assets.
- Registration of securities may be subject to delay and during the period of delay it may be difficult to prove beneficial ownership of the securities.
- The share register may not be properly maintained and the ownership interests may not be, or remain, fully protected.
- The provision for custody of assets may be less developed than in other more mature markets and thus provides an additional level of risk for the Company.

### ***Price Movement and Performance***

- Factors affecting the value of securities in some markets cannot easily be determined.
- Investment in securities in some markets carries a high degree of risk and the value of such investments may decline or be reduced to zero.

### ***Foreign exchange risk***

Because a Sub-Fund's assets and liabilities may be denominated in currencies different to the Base Currency or to the reference currency of the relevant Class, the Sub-Fund / relevant Class may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between the Base Currency (or reference currency of the relevant Class) and other currencies. Changes in currency exchange rates may influence the value of a Sub-Fund's / Class' shares, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

If the currency in which a security is denominated appreciates against the Base Currency (or the reference currency of the relevant Class) the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

A Sub-Fund / Class may engage in foreign currency transactions in order to hedge against currency exchange risk however there is no guarantee that hedging or protection will be achieved. This strategy may also limit the Sub-Fund / Class from benefiting from the performance of a Sub-Fund's / Class' securities if the currency in which the securities held by the Sub-Fund / Class are denominated rises against the Base Currency (or reference currency of the relevant Class). In case of a hedged Class (denominated in a currency different from the Base Currency), this risk applies systematically.

### ***Liquidity risk***

A Sub-Fund is exposed to the risk that a particular investment or position cannot be easily unwound

or offset due to insufficient market depth or market disruption.

### ***Interest rate risk***

A Sub-Fund that has exposure to bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

### ***Credit risk***

A Sub-Fund which has exposure to bonds and other fixed income securities is subject to the risk that issuers may not make payments on such securities. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Sub-Fund(s) investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

### ***Downgrading/Upgrading Risk***

The value of a bond will fall in the event of the default or reduced credit rating of the issuer, similarly an increase in credit rating can lead to capital appreciation. Generally the higher the rate of interest on any bond, the higher the perceived credit risk of the issuer.

Investment grade bonds may be subject to the risk of being downgraded to sub-investment grade bonds. Inversely, a sub-investment grade bond may be upgraded to investment grade status.

If an investment grade bond is downgraded to sub-investment grade, or if a sub-investment grade bond is upgraded to investment grade, the relevant asset will not be sold unless, in the opinion of the Investment Manager, it is in the interest of shareholders to do so.

Bonds which are rated below investment grade, have a lower credit rating or are unrated are generally considered to have a higher credit risk and a greater possibility of default than more highly rated bonds.

If the issuer defaults, or such bonds or their underlying assets cannot be realised, or performed badly, investor may suffer substantial losses.

In addition, the market for bonds which are rated below investment grade, have a lower credit rating or are unrated generally has lower liquidity and is less active than that for higher rated bonds and a Sub-Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by such factors as adverse publicity and investor perceptions.

### *Sub-Investment Grade*

Some Sub-Funds are permitted to invest in sub-investment grade securities. Investment in such securities involves greater price volatility and risk of loss of principal and income than investment in securities of a higher investment grade quality.

### *Unrated Securities*

Some Sub-Funds are permitted to invest in unrated securities which involve higher risks and are more sensitive to adverse changes in general economic conditions and in the industries in which the issuers are engaged and to changes in the financial conditions of the issuers of such securities. Investment in unrated securities means that the relevant Sub-Fund must rely on the Investment Manager's credit assessment of such securities and is in particular subject to a high credit risk and a high risk of default.

### *Sovereign Debt Risk*

Certain developed and developing countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations ("**Sovereign Debt**") issued or guaranteed by such governments or their agencies and instrumentalities ("**governmental entities**") involves a higher degree of risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt.

The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic or fiscal reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

Consequently, governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including a Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part.

In light of the fiscal conditions and concerns on sovereign debt of certain European countries, a Sub-Fund with exposure to Europe may be subject to an increased amount of volatility, liquidity, price and currency risk associated with investments in Europe. The performance of the relevant Sub-Fund could deteriorate should there be any adverse credit events in the European region (e.g. downgrade of the

sovereign credit rating of a European country).

### ***Volatility of financial derivative instruments***

The price of a financial derivative instrument can be very volatile. This is because a small movement in the price of the underlying security, index, interest rate or currency may result in a substantial movement in the price of the financial derivative instrument. Investment in financial derivative instruments may result in losses in excess of the amount invested.

### ***Futures and options***

Under certain conditions, the Company may use options and futures on securities, indices and interest rates for different purposes (i.e. hedging). Also, where appropriate, the Company may hedge market and currency risks using futures, options or forward foreign exchange contracts.

Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

### ***OTC financial derivative transactions***

In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which currencies, forward, spot and option contracts, credit default swaps, total return swaps and certain options on currencies are generally traded) than of transactions entered into on organized exchanges. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with OTC financial derivative transactions. Therefore, a Sub-Fund entering into OTC financial derivative transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Sub-Fund will sustain losses. The Company will only enter into transactions with counterparties which it believes to be creditworthy, and may reduce the exposure incurred in connection with such transactions through the receipt of letters of credit or collateral from certain counterparties. Regardless of the measures the Company may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that a Sub-Fund will not sustain losses as a result.

From time to time, the counterparties with which the Company effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Company might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange traded instruments, forward, spot and option contracts on currencies do not provide the relevant Investment Manager with the possibility to offset the Company's obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts, the Company may be required, and must be able, to perform its obligations under the contracts.

### ***Counterparty risk***

The Company on behalf of a Sub-Fund may enter into transactions in over-the-counter markets, which will expose the Sub-Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts.

For example, the Company on behalf of the Sub-Fund may enter into repurchase agreements, forward contracts, options and swap arrangements or other derivative techniques, each of which expose the Sub-Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred. Derivative contracts such as swap contracts entered into by the Company on behalf of a Sub-Fund involve credit risk that could result in a loss of the Sub-Fund's entire investment as the Sub-Fund may be fully exposed to the credit worthiness of a single approved counterparty where such an exposure will be collateralised.

The costs associated with counterparties providing collateral under the FX contracts will be charged to the respective Sub-Fund and will therefore ultimately impact the Net Asset Value of the shares.

### ***Effect of substantial withdrawals***

Substantial withdrawals by shareholders within a short period of time could require the liquidation of positions more rapidly than would otherwise be desirable, which could adversely affect the value of the assets of the Company. The resulting reduction in the assets of the Company could make it more difficult to generate a positive rate of return or to recoup losses due to a reduced equity base.

### ***Political risks***

The value of the Company's assets may be affected by uncertainties such as political developments,

changes in government policies, taxation, currency repatriation restrictions and restrictions on foreign investment in some of the countries in which the Company may invest.

### ***General economic conditions***

The success of any investment activity is influenced by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equity and interest rate sensitive securities. Unexpected volatility or illiquidity in the markets in which the Company directly or indirectly holds positions could impair the ability of the Company to carry out its business and could cause it to incur losses.

### ***Specialization Risk***

Some Sub-Funds specialize by investing in a particular sector of the economy or part of the world or by using a specific investment style or approach. Specialization allows a Sub-Fund to focus on a specific investment approach, which can boost returns if the particular sector, country or investment style is in favour. However, if the particular sector, country or investment style is out of favour, the value of the Sub-Fund may underperform relative to less specialized investments. Sub-Funds that specialize tend to be less diversified, but may add diversification benefits to portfolios that do not otherwise have exposure to this specialization.

### ***Dilution Levy***

Shareholders should note that in certain circumstances a dilution levy may be applied on their purchase or redemption of shares. Where a dilution levy is applied, this will reduce the amount of a shareholder's subscription for shares in a Sub-Fund/Class or reduce the amount of the redemption proceeds received from a redemption of shares in a Sub-Fund/Class (as the case may be).

If a dilution levy is not applied, the Sub-Fund/Class in question may still incur dilution which may constrain capital growth. However, shareholders should note that, even in cases where a dilution levy is charged, the Net Asset Value of a Sub-Fund/Class may still be affected by dilution.

### ***Large Shareholder Risk***

Shares may be purchased or redeemed by investors holding a large portion of the issued and outstanding shares of a Sub-Fund ("large shareholders"). If a large shareholder redeems all or a portion of its investment in the Sub-Fund, the Sub-Fund may have to incur transaction costs in the process of making the redemption. Conversely, if a large shareholder makes a significant purchase in the Sub-Fund, the Sub-Fund may have to hold a relatively large position in cash for a period of time while the Investment Manager finds suitable investments. This may negatively impact the performance of the Sub-Fund.

### ***Taxation***

Investors should bear in mind that the (i) product of the sale of securities on certain markets or the

collection of dividends or other income may be or may become subject to duties, taxes, rights or other costs or charges imposed by the authorities of this market, including the deduction of taxation at source and/or (ii) the Sub-Fund's investments may be subject to specific taxes or charges imposed by the authorities of certain markets. Taxation laws as well as the practice of certain countries in which the Sub-Fund invests or may invest in the future are not clearly established. Consequently it is possible that the current interpretation of the legislation or the understanding of a practice may change, or that the legislation may be amended with backdated effect. It is therefore possible that the Sub-Fund may be subject to additional taxation in such countries although such taxation was not anticipated on the date of this Prospectus or on the date on which the investments were made, valued or sold.

#### Foreign account Tax Compliance Act Requirements

FATCA Rules being particularly complex, the Company cannot accurately assess the extent of the requirements that FATCA provisions will place upon it.

Although the Company will attempt to satisfy any obligations imposed on it to avoid the imposition of the 30% withholding tax on US FDAP Income, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of FATCA, the value of shares held by all shareholders may be materially affected.

#### OECD Common Reporting Standard Requirements

Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. As a result, the Company will be required to comply with the CRS due diligence and reporting requirements, as adopted by Luxembourg. Investors may be required to provide additional information to the Company to enable the Company to satisfy its obligations under the CRS. Failure to provide requested information may subject an investor to liability for any resulting penalties or other charges and/or mandatory termination of its interest in the Company.

#### ***Cyber Crime and Security Breaches***

With the increasing use of the Internet and technology in connection with the Company's, the Management Company's, and the Investment Managers' and other service provider's operations, the Company is susceptible to greater operational and information security risks through breaches in cyber security. Cyber security breaches include, without limitation, infection by computer viruses and gaining unauthorised access to systems through "hacking" or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operations to be disrupted. Cyber security breaches may also occur in a manner that does not require gaining unauthorised access, such as denial-of-service attacks or situations where authorised individuals intentionally or unintentionally release confidential information stored on the Investment Managers' or other service provider's systems. A cyber security breach may cause disruptions and impact the Company's business operations, which could potentially result in financial losses, inability to determine the Net Asset Value, violation of applicable law, regulatory penalties and/or fines, compliance and other costs. The Company and its shareholders could be negatively impacted as a result. In addition, because the Company works closely with third-party service providers indirect cyber security breaches at such third-party service providers may subject the Company and its shareholders to the same risks associated with direct cyber security breaches. Further, indirect cyber

security breaches at an issuer of securities in which a Sub-Fund invests may similarly negatively impact the relevant Sub-Fund and its shareholders.

## **5. SHARES**

The Board of Directors may, within each Sub-Fund, decide to create different Classes of shares whose assets will be commonly invested pursuant to the specific investment policy of the relevant Sub-Fund, but where a specific fee structure, hedging strategy, Reference Currency, distribution policy or other specific features may apply to each Class. A separate Net Asset Value per share, which may differ as a consequence of these variable factors, will be calculated for each Class. The offering details of each Sub-Fund, including the name and characteristics of the different Classes created in each Sub-Fund are disclosed in the relevant Sub-Fund Particular. The Board of Directors may at any time decide to issue further Classes of shares in each Sub-Fund, in which case the relevant Sub-Fund Particular will be amended accordingly.

For each Sub-Fund, separate currency hedged Classes may be issued as detailed in the relevant Sub-Fund Particular. Any fees relating to the hedging strategy (including any fees of the Administration Agent relating to the execution of the hedging policy) will be borne by the relevant Class. Any gains or losses from the currency hedging shall accrue to the relevant hedged Class.

Fractions of shares up to three decimal places will be issued if so decided by the Board of Directors. Such fractions shall not be entitled to vote but shall be entitled to participate in the net assets and any distributions attributable to the relevant Class on a pro rata basis.

All shares must be fully paid-up; they are of no nominal value and carry no preferential or preemptive rights. Each share of the Company, irrespective of its Sub-Fund, is entitled to one vote at any general meeting of shareholders, in compliance with Luxembourg law and the Articles of Incorporation. The Company will recognise only one holder in respect of each share. In the event of joint ownership, the Company may suspend the exercise of any voting right deriving from the relevant share(s) until one person shall have been designated to represent the joint owners *vis-à-vis* the Company.

Shares will in principle be freely transferable to investors complying with the eligibility criteria of the relevant Class and provided that shares are neither acquired nor held by or on behalf of any person in breach of the law or requirements of any country or governmental or regulatory authority, or which might have adverse taxation or other pecuniary consequences for the Company, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority. The Directors may in this connection require a shareholder to provide such information as they may consider necessary to establish whether he is the beneficial owner of the shares which he holds.

## **6. HOW TO BUY SHARES**

### **6.1 Application**

Applicants buying shares for the first time need to complete the Application Form which can be sent

first by fax along with the relevant anti-money laundering and know your customer ("AML&KYC") documentation to the Registrar and Transfer Agent (please refer to section 6.4). The original Application Form and AML&KYC documentation has to be sent without delay to the Registrar and Transfer Agent by post. Unless otherwise stated for a specific Sub-fund in the relevant Sub-fund Particular, any subsequent purchase of shares can be made by Swift, fax or any other form of transmission previously agreed upon between the applicant and the Registrar and Transfer Agent.

## **6.2 Dealing cut-off times**

The dealing cut-off times are indicated in the relevant Sub-Fund Particular.

Applications and subsequent deals received after the relevant cut-off times will normally be dealt on the next applicable Valuation Day.

## **6.3 Acceptance**

The right is reserved by the Company, represented by the Directors, to reject any subscription or conversion application in whole or in part without giving the reasons thereof. If an application is rejected, the application monies or balance thereof will be returned at the risk of the applicant and without interest as soon as practicable.

## **6.4 Prevention of money laundering and terrorist financing**

In accordance with international regulations and Luxembourg laws and regulations (including, but not limited to, the amended law of 12 November 2004 (as amended) on the fight against money laundering and the financing of terrorism), the Grand Ducal Regulation dated 1 February 2010, CSSF Regulation 12-02 of 14 December 2012 and CSSF Circular 13/556, 15/609 and 17/650 concerning the fight against money laundering and terrorist financing, and any respective amendments or replacements, obligations have been imposed on all professionals of the financial sector in order to prevent undertakings for collective investment from money laundering and the financing of terrorism purposes.

As a result of such provisions, the registrar and transfer agent of a Luxembourg undertaking for collective investment must ascertain the identity of the subscriber in accordance with Luxembourg laws and regulations. The Registrar and Transfer Agent may require subscribers to provide any document it deems necessary to effect such identification. In addition, the Registrar and Transfer Agent, as delegate of the Company, may require any other information that the Company may require in order to comply with its legal and regulatory obligations, including but not limited to the CRS Law (as defined below).

In case of delay or failure by an applicant to provide the required documentation, the subscription request will not be accepted and in case of redemption, payment of redemption proceeds delayed. Neither the Company nor the Registrar and Transfer Agent will be held responsible for such delay or failure to process deals resulting from the failure of the applicant to provide documentation or incomplete documentation.

From time to time, shareholders may be asked to supply additional or updated identification documents in accordance with on-going client due diligence obligations according to the relevant laws and regulations.

The list of identification documents to be provided by each applicant to the Registrar and Transfer Agent will be based on the AML&KYC requirements as stipulated in the CSSF's circulars and regulations as amended from time to time. These requirements may be amended following any new Luxembourg regulations.

Applicants may be asked to produce additional documents for verification of their identity before acceptance of their applications or other instructions. In case of refusal by the applicant to provide the documents required, the application will not be accepted.

Before redemption proceeds are released, the Registrar and Transfer Agent could require original documents or certified copies of original documents to comply with the Luxembourg regulations.

In accordance with the Luxembourg law of 13 January 2019 establishing a register of beneficial owners, shareholders are informed that the Company may need to communicate certain information to the register of beneficial owners in Luxembourg. The relevant authorities as well as the general public can access the register and the relevant information of the beneficial owners of the Company, including the name, the month and year of birth, the country of residence and nationality. This law defines beneficial owners as a reference to economic beneficiaries under the Luxembourg Law of 12 November 2004 (as amended) on the fight against money laundering and terrorist financing as the shareholders who own more than 25% of the shares of the Company or who otherwise control the Company.

## **6.5 Settlement**

### *IN CASH*

Subscription proceeds will in principle be paid in the Reference Currency of the relevant Class specified in the relevant Sub-Fund Particular within the timeframe provided for in the relevant Sub-Fund Particular (settlement date). The Board of Directors may also accept payment in any other freely convertible currency specified by the applicant. In that case, any currency conversion cost shall be borne by the applicant.

Settlement may be made by electronic transfer net of bank charges to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate Sub-Fund / Class into which settlement monies are paid. Details of the relevant correspondent bank(s) are given on the Application Form or may be obtained from a distributor.

If, on the settlement date, banks are not open for business in the country of the currency of settlement, then settlement date will be on the next Business Day on which those banks are open. Payment should arrive in the Registrar and Transfer Agent's appropriate bank account, as specified in the Application Forms by the settlement date at the latest as specified in the relevant Sub-Fund Particular and subject

to the foregoing. If timely settlement is not made, an application may lapse and be cancelled at the cost of the applicant or his/her financial intermediary. Failure to make good settlement by the settlement date may result in the Company bringing an action against the defaulting investor or his/her financial intermediary or deducting any costs or losses incurred by the Company or Management Company against any existing holding of the applicant in the Company.

### *IN KIND*

The Directors may, at their discretion, decide to accept securities as valid consideration for a subscription provided that these comply with the investment policy and restrictions of the relevant Sub-Fund. A special report of the Company's Luxembourg Auditors will be issued. Additional costs resulting from a subscription in kind (including the costs of the Auditors' report) will be borne exclusively by the subscriber concerned, unless the Board of Directors considers that the subscription in kind is in the best interests of the Company or made to protect the interests of the Company, in which case such costs may be borne in all or in part by the Company.

### **6.6 Share allocation**

If a deferred settlement is accepted for any Sub-Fund as set forth in the relevant Sub-Fund Particular, shares are provisionally allotted but not allocated until settlement has been received by the Company or to its order. Payment for subscribed shares must be received by the Company or by a correspondent bank to its order, not later than the deadlines set forth in the relevant Sub-Fund Particular.

If settlement is not received by the Company or to its order by the due date, the Company reserves the right to cancel the provisional allotment of shares without prejudice to the right of the Company to obtain compensation of any loss directly or indirectly resulting from the failure of an applicant to effect settlement.

### **6.7 Contract notes**

Contract notes which are no proofs of ownership are provided to the investor as soon as practicable after the allotment of shares.

### **6.8 Form of shares**

Shares are only issued in registered form and ownership of shares will be evidenced by entry in the Register. Shareholders will receive a confirmation of their shareholding as soon as reasonably practicable after the relevant Dealing Day.

## **7. HOW TO SELL SHARES**

The terms and conditions applying to the redemption of the shares of the Company are detailed, for each Sub-Fund, in the relevant Sub-Fund Particular.

## **7.1 Request**

Redemption requests should be made directly to the Registrar and Transfer Agent. Such requests may be made by Swift, fax or any other form of transmission previously agreed upon between the applicant and the Registrar and Transfer Agent.

In compliance with the forward pricing principle, redemption requests received after the applicable cut-off time (as detailed, for each Sub-Fund in the relevant Sub-Fund Particular) will be deferred to the next applicable Valuation Day.

## **7.2 Settlement**

### *IN CASH*

Redemption proceeds, provided the AML&KYC documentation is in order, will in principle be paid in the Reference Currency of the relevant Class specified in the relevant Sub-Fund Particular within the timeframe provided for in the relevant Sub-Fund Particular. The Board of Directors may also agree to satisfy the payment of redemption proceeds in any other freely convertible currency specified by the shareholder. In that case, any currency conversion cost shall be borne by the shareholder and the payment of the redemption proceeds will be carried out at the risk of the shareholder.

If, on the settlement date, banks are not open for business in the country of the currency of settlement currency of the relevant Class, then settlement will be on the next Business Day on which those banks are open.

### *IN KIND*

At a shareholder's request or if the shareholder consents, provided the AML&KYC documentation is in order, the Company may elect to make a redemption in kind subject to a special report from the Company's Luxembourg Auditors (to the extent required by laws or regulations), having due regard to the interests of all shareholders, to the industry sector of the issuer, to the country of issue, to the liquidity and to the marketability and the markets on which the investments distributed are dealt in and to the materiality of investments. Additional costs resulting from redemption in kind will be borne exclusively by the shareholder concerned, unless the Board of Directors considers that the redemption in kind is in the best interests of the Company or made to protect the interests of the Company, in which case such costs may be borne in all or in part by the Company.

## **7.3 Contract notes**

Contract notes are sent to shareholders as soon as practicable after the transaction has been allotted.

## **7.4 Compulsory redemption**

If a redemption/conversion instruction would reduce the value of a shareholder's residual holding in any one Sub-Fund or Class to below the minimum holding requirement as set forth (the case being) in the relevant Sub-Fund Particular, the Company may decide to compulsorily redeem the shareholder's

entire holding in respect of that Sub-Fund.

The Company may also compulsorily redeem any shares that are acquired or held by or on behalf of any person in breach of the law or requirements of any country or governmental or regulatory authority, or which might have adverse taxation or other pecuniary consequences for the Company, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority, or by any persons due which the Company fails to comply with FATCA, as further detailed in the Articles of Incorporation.

If it appears at any time that a shareholder of a Class or of a Sub-Fund reserved to Institutional Investors (in the meaning of Article 174 of the 2010 Law) is not an Institutional Investor, the Board of Directors will convert the relevant shares into shares of a Class or of a Sub-Fund which is not restricted to Institutional Investors (provided that there exists such a Class or of a Sub-Fund with similar characteristics) or compulsorily redeem the relevant shares in accordance with the provisions set forth in the Articles of Incorporation.

### **7.5 Deferral of redemption**

In order to ensure that shareholders who remain invested in the Company are not disadvantaged by the reduction of the liquidity of the Company's portfolio as a result of significant redemption applications received over a limited period, the Directors may apply the procedures set out below in order to permit the orderly disposal of securities to meet redemptions.

The Company, having regard to the fair treatment of shareholders, on receiving requests to redeem shares exceeding 10% of the net asset value of any Sub-Fund shall not be bound to redeem on any Business Day a number of shares representing more than 10% of the net asset value of any Sub-Fund. If the Company receives requests on any Business Day for redemption of a greater number of shares, it may declare that such redemptions exceeding the 10% limit may be deferred for such period required to realise sufficient assets to meet redemption requests. Unless otherwise decided by the Board of Directors on the basis of exceptional circumstances, the deferral period should in principle not exceed 15 days. At the end of the deferral period, shares will be redeemed on a "first in first out" basis (provided that the principle of fair treatment of shareholders is complied with, at any time).

Payment of redemption proceeds may be delayed if there are any specific statutory provisions such as foreign exchange restrictions, or any circumstances beyond the Company's control which make it impossible to transfer the redemption proceeds to the country where the redemption was requested.

### **7.6 Cancellation right**

Requests for redemption once made may in principle only be withdrawn in the event of a suspension or deferral of the right to redeem shares of the relevant Sub-Fund. In exceptional circumstances, the Company may however, in its sole discretion and taking due consideration of the principle of equal treatment between shareholders, the interests of the relevant Sub-Fund and applicable market timing rules, decide to accept any withdrawal of an application for redemption.

## **7.7 Prevention of market timing practices**

The Company does not knowingly allow investments which are associated with market timing practices as such practices may adversely affect the interests of all shareholders.

In general, market timing refers to the investment behaviour of an individual or company or a group of individuals or companies buying, selling or exchanging shares or other securities on the basis of predetermined market indicators by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the net asset value. Market timers may also include individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by frequent or large exchanges.

The Registrar and Transfer Agent may combine shares which are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in market timing practices. Accordingly, the Board of Directors reserves the right to cause the Registrar and Transfer Agent to reject any application for conversion and/or subscription of shares from applicants whom the former considers market timers.

## **8. HOW TO CONVERT SHARES**

If specified in the relevant Sub-Fund Particular, shareholders may be entitled to request the conversion of the shares they hold in one Sub-Fund into shares of another Sub-Fund or to request the conversion of the shares they hold in one Class into another Class of the same Sub-Fund by making application to the Registrar and Transfer Agent in Luxembourg or through a distributor by Swift or fax, confirmed in writing by no later than the cut-off time (as further specified in the relevant Sub-Fund Particular).

Such application must include the following information: the name of the holder, the number of shares to be switched (if it is not the total holding) and the number ISIN on any share of each Sub-Fund to be switched and the proportion of value of those shares to be allocated to each new Sub-Fund or Class (if more than one).

Conversions will be subject to the condition that all conditions to subscribe in shares relating to the new Sub-Fund/Class are met.

Unless otherwise provided for in the relevant Sub-Fund Particular, conversions (when authorised) may be accepted on each Business Day preceding the relevant Valuation Days in both applicable Sub-Funds/Classes.

If compliance with conversion instructions would result in a residual holding in any one Sub-Fund or Class of less than the minimum holding, the Company may compulsorily redeem the residual shares at the redemption price ruling on the relevant Business Day and make payment of the proceeds to the shareholder.

The basis of conversion is related to the respective Net Asset Value per share of the Sub-Fund or

Class concerned. The Company will determine the number of shares into which a shareholder wishes to convert his existing shares in accordance with the following formula:

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

The meanings are as follows:

- A: the number of shares to be issued in the new Sub-Fund/Class to which the shareholder becomes entitled
- B: the number of shares in the original Sub-Fund/Class which the Shareholder has requested to be switched
- C: share price of a share in the original Sub-Fund/Class
- D: switching charge (if any) payable
- E: when the original Sub-Fund/Class and the new Sub-Fund/Class are not designated in the same currency, it is the applicable market exchange rate between the currencies of the Classes on the day of the transaction execution date, at the shareholder's risk
- F: share price of a share in the new Sub-Fund/Class.

The Company will provide a confirmation including the details of the conversion to the shareholder concerned.

Any conversion request shall in principle be irrevocable, except in the event of a suspension of the calculation of the net asset value of the Class or of the Sub-Fund concerned or deferral. The Company may however, in its sole discretion and taking due consideration of the principle of equal treatment between shareholders and the interests of the relevant Sub-Fund, decide to accept any withdrawal of an application for conversion.

In compliance with the forward pricing principle, requests for conversions received after the cut-off time (as detailed, for each Sub-Fund, in the relevant Sub-Fund Particular) will be deferred to the next applicable Business Day.

The rules applicable to the deferral of redemptions will apply *mutatis mutandis* to conversion requests.

## 9. LATE TRADING

The Company determines the price of its shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per share at which shares will be bought or sold (exclusive of any subscription or redemption commission).

Late trading is to be understood as the acceptance of a subscription, conversion or redemption order after the time limit fixed for accepting orders ("**cut-off time**") on the relevant day and the execution of such order at the price based on the net asset value applicable to such same day.

The Company considers that the practice of late trading is not acceptable as it violates the provisions of the Prospectus which provide that an order received after the cut-off time is dealt with at a price based on the next applicable net asset value. As a result, subscriptions, conversions and redemptions of shares shall be dealt with at an unknown net asset value. The cut-off time for subscriptions, conversions and redemptions is set out in the Sub-Fund Particular.

## **10. FOREIGN EXCHANGE TRANSACTIONS**

Where subscription and redemption proceeds are paid in another currency than the Reference Currency of the relevant Class, the necessary foreign exchange transactions will be arranged by the Registrar and Transfer Agent for the account and at the expenses of the applicant at the exchange rate prevailing on the relevant Business Day.

## **11. NET ASSET VALUE AND DEALING PRICES**

### **11.1 Calculation of the net asset value**

#### *Valuation Principles*

- (A) The net asset value per share of each Sub-Fund will be calculated on each Dealing Day in the Base Currency of the relevant Sub-Fund. It will be calculated by dividing the total net asset value attributable to each Sub-Fund, being the proportionate value of its assets less its liabilities, by the number of shares of such Sub-Fund then in issue. The resulting Net Asset Value per share shall be rounded to the nearest three decimal places.
- (B) In valuing total assets, the following rules will apply:
  - (1) The value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Company may consider appropriate in such case to reflect the true value thereof.
  - (2) The value of such securities, financial derivative instruments and assets will be determined on the basis of the closing or last available price on the stock exchange or any other Regulated Market as aforesaid on which these securities or assets are traded or admitted for trading.
  - (3) If a security is not traded or admitted on any official stock exchange or any Regulated Market, or in the case of securities so traded or admitted the last available price of which does not reflect their true value, the Directors are required to proceed on the basis of their expected sales price, which shall be valued with prudence and in good faith.
  - (4) The financial derivative instruments which are not listed on any official stock exchange or traded on any other organised market are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative. The

reference to fair value shall be understood as a reference to the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction. The reference to reliable and verifiable valuation shall be understood as a reference to a valuation, which does not rely only on market quotations of the counterparty and which fulfils the following criteria:

- (a) The basis of the valuation is either a reliable up-to-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 Company is able to check it;
  - (ii) a unit within the Company which is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.
- (5) Units or shares in undertakings for collective investments shall be valued on the basis of their last available net asset value as reported by such undertakings.
- (6) Liquid assets and money market instruments may be valued at nominal value plus any accrued interest or on an amortised cost basis. All other assets, where practice allows, may be valued in the same manner.
- (7) If any of the aforesaid valuation principles do not reflect the valuation method commonly used in specific markets or if any such valuation principles do not seem accurate for the purpose of determining the value of the Company's assets, the Directors may fix different valuation principles in good faith and in accordance with generally accepted valuation principles and procedures.
- (8) Any assets or liabilities in currencies other than the Base Currency of the Sub-Funds will be converted using the relevant spot rate quoted by a bank or other recognised financial institution.

The Directors are authorised to apply other appropriate valuation principles for the assets of the Sub-Funds and/or the assets of a given Class if the aforesaid valuation methods appear impossible or inappropriate due to extraordinary circumstances or events.

The consolidated accounts of the Company for the purpose of its financial reports shall be expressed in EUR.

## **11.2 Temporary suspension**

The Company may suspend the calculation of the Net Asset Value of one or more Sub-Funds and the issue, redemption and conversion of any Classes of shares in the following circumstances:

- a) during any period when any market or stock exchange, which is the principal market or stock

- exchange on which a material part of the investments of the relevant Sub-Fund for the time being are quoted, is closed or during which dealings are substantially restricted or suspended;
- b) during the existence of any state of affairs which constitutes an emergency as a result of which disposal or valuation of investments of the relevant Sub-Fund by the Company is not possible;
  - c) during any period when the publication of an index, underlying of a financial derivative instrument representing a material part of the assets of the relevant Sub-Fund is suspended;
  - d) during any period when the determination of the Net Asset Value per share of the underlying funds or the dealing of their shares/units in which a Sub-Fund is a materially invested is suspended or restricted;
  - e) during any breakdown in the means of communication normally employed in determining the price of any of the relevant Sub-Fund's investments or the current prices on any market or stock exchange;
  - f) during any period when remittance of monies which will or may be involved in the realisation of, or in the repayment for any of the relevant Sub-Fund's investments is not possible;
  - g) from the date on which the Board of Directors decides to liquidate or merge one or more Sub-Fund(s)/Class or in the event of the publication of the convening notice to a general meeting of shareholders at which a resolution to wind up or merge the Company or one or more Sub-Fund(s) or Class is to be proposed; or
  - h) during any period when in the opinion of the Directors there exist circumstances outside the control of the Company where it would be impracticable or unfair towards the shareholders to continue dealing in shares of any Sub-Fund of the Company.

The Company may cease the issue, allocation, conversion and redemption of the shares forthwith upon the occurrence of an event causing it to enter into liquidation or upon the order of the Luxembourg supervisory authority.

To the extent required by laws and regulations or decided by the Company, shareholders who have requested conversion or redemption of their shares will be promptly notified in writing of any such suspension and of the termination thereof.

At the end of the period of suspension, shares will be redeemed on a "first in first out" basis (provided that the principle of fair treatment of shareholders is complied with, at any time).

Suspended subscription, redemption and conversion applications may be withdrawn by written notice provided that the Company receives such notice before the suspension ends.

Suspended subscription, redemption and conversion applications shall be executed on the first Valuation Day following the resumption of the Net Asset Value calculation by the Company.

### **11.3 Dilution levy**

A Sub-Fund may suffer dilution (reduction) in the value of its net assets as a result of the costs incurred in dealing in the underlying investments and of any spread between the buying and selling prices of those investments. It is not however, possible to predict accurately whether dilution will occur at any point in time. Under certain circumstances dilution may have a material adverse effect on the remaining shareholders' interest in the Sub-Fund or Class of such Sub-Fund.

The need to charge the dilution levy will depend on the volume of net subscriptions, redemptions or conversions, as determined by the Board of Directors.

If charged, the dilution levy will be shown in addition to (but not part of) the price of shares when they are issued or as a deduction when they are redeemed. The dilution levy will either be paid into the relevant Sub-Fund/Class, in the case of an issue of shares, or retained in the Sub-Fund/Class in the case of redemption or conversion of shares.

To the extent set-out for a Sub-Fund in the Sub-Fund Particulars, the Board of Directors may charge a dilution levy of up to two (2) per cent of the Net Asset Value of the corresponding shares on any subscription, redemption or conversion of shares if, in its opinion, the existing shareholders (for subscriptions and conversions) or remaining shareholders (for redemptions and conversions) might otherwise be adversely affected.

The dilution levy will be imposed in the Board of Directors' sole and absolute discretion and without liability and having due consideration to the equal treatment of shareholders.

### **11.4 Offer price**

Shares will be issued at a price based on the net asset value calculated on the relevant Valuation Day. Subscription proceeds shall be paid within the timeframe disclosed in the relevant Sub-Fund Particular.

The offer price may be increased by a sales charge payable to entities involved in a Sub-Fund's distribution and as set-out for each Sub-Fund in the Sub-Fund Particulars.

A dilution levy may also be added to the offer price as specified for a Sub-Fund in the relevant Sub-Fund Particulars.

### **11.5 Redemption price**

Shares will be redeemed at a price based on the net asset value calculated on the relevant Valuation Day less any applicable redemption charge, payable to entities involved in a Sub-Fund's distribution, disclosed in the relevant Sub-Fund Particular.

A dilution levy may also be deducted from the redemption price as specified for a Sub-Fund in the relevant Sub-Fund Particulars.

The redemption price will be payable within the timeframe disclosed in the relevant Sub-Fund Particular.

### **11.6 Information on prices**

The Net Asset Value per share in each Sub-Fund is available at the registered office of the Company.

In calculating the Net Asset Value and Net Asset Value per share, the Administration Agent may rely upon such automatic pricing services as it shall determine or, if so instructed by the Company or the Management Company it may use information provided by particular pricing services, brokers, market makers or other intermediaries. Unless the Administration Agent has acted fraudulently, negligently or with wilful default, the Administration Agent shall not be liable for any loss suffered by the Company or any shareholder of the Company by reason of any error in the calculation of the Net Asset Value and Net Asset Value per share resulting from any inaccuracy in the information provided by any such pricing service, broker, market maker or other intermediary.

## **12. DIVIDENDS**

The Directors may issue distribution and capital-accumulation shares, as further specified in the relevant Sub-Fund Particular.

- i) Capital-accumulation shares do not pay any dividends. They accumulate their income so that the income is included in the price of the shares.
- ii) The distribution policy of the distribution shares can be summarised as follows (unless otherwise specified for a Sub-Fund in the relevant Sub-Fund Particulars):

Distribution shares will be referenced as "Dist" shares and capital-accumulation shares are referenced as "Acc" shares unless otherwise indicated in the Sub-Fund Particulars.

Dividends will be declared by the relevant shareholders at the annual general meeting of shareholders or any other shareholder meeting. During the course of a financial year, the Board of Directors may declare interim dividends in respect of certain Sub-Fund(s) or distribution shares.

In the absence of any instruction to the contrary and unless otherwise specified for a Sub-Fund in the relevant Sub-Fund Particular, dividends will be paid out. Holders of registered shares may however, by written request to the Registrar and Transfer Agent or by completion of the relevant section of the Application Form, elect to have dividends relating to any distribution Class of any Sub-Fund reinvested automatically in the acquisition of further shares relating to that Sub-Fund. Unless otherwise specified in the relevant Sub-Fund Particulars, such shares will be purchased no later than on the next Valuation Day after the date of payment of the dividend. Shares allocated as a result of such reinvestment will not be subject to any sales charge.

## **13. CHARGES AND EXPENSES**

### **13.1 Management Company Fee**

In consideration for the management company services provided to the Company, the Management Company is entitled to receive a management company fee of a percentage of the net assets of the relevant Class, as further detailed in the relevant Sub-Fund Particular (the "**Management Company Fee**") which corresponds to a variable fee up to a maximum rate of 0.25% calculated on the average net assets of the relevant Sub-Fund with a monthly fixed fee of € 4,000 pro rata to the size of the different Sub-Funds, without prejudice to the Management Company's other costs for its other activities (including but not limited to risk management and investment compliance monitoring activities, cross-border registration and maintenance activities, the production and update of the KIIDs of the Company), to the extent applicable and as these fees and costs may be further detailed in the Management Company Agreement.

Unless otherwise provided for in the relevant Sub-Fund Particular, this fee will be accrued on each Valuation Day and payable monthly in arrears out of the assets of the relevant Sub-Fund.

### **13.2 Investment Management Fees**

In consideration for the investment management services provided to the Company, the investment manager is entitled to receive from the Company any investment management fee (the "**Investment Management Fee**") of a percentage of the net assets of the relevant Class as further detailed in the relevant Sub-Fund Particulars. Unless otherwise provided for in the relevant Sub-Fund Particular, this fee will be calculated on the last Net Asset Value of each month and payable monthly in arrears out of the assets of the relevant Sub-Fund.

The Investment Management Fee may cover distribution activities of the Investment Manager and can be shared with any appointed distributors/intermediaries, in compliance with applicable laws and regulations.

### **13.3 Performance**

To the extent provided for in the relevant Sub-Fund Particular, the relevant Investment Manager may also be entitled to receive a performance fee (the "**Performance Fee**"), the details of which will (where applicable) be disclosed in the relevant Sub-Fund Particular.

### **13.4 Advisory Fees**

In consideration for the advisory services provided to the relevant Investment Manager(s), the investment advisers (if any) are paid an investment advisory fee out of the Investment Management Fee (the "**Investment Advisory Fee**") unless otherwise provided for in the relevant Sub-Fund Particular.

### **13.5 Depository Bank and Central Administration Fees**

For its services as Depository Bank, Administration Agent, Registrar and Transfer Agent and unless otherwise agreed for a specific Sub-Fund, CACEIS Bank, Luxembourg Branch receives an annual fee based upon a reducing scale, of up to 0.115%, of the net asset value of the Sub-Fund, subject to a minimum monthly fee of EUR 5,100 per Sub-Fund pro rata to the size of the different Sub-Funds. This fee is calculated and accrued on each Valuation Day and is payable by the Company monthly in arrears and as agreed from time to time in writing. In addition any transactions charge on the sale and purchase of assets as well as transactions charges on the issue, conversion and redemption of shares will be billed separately.

### **13.6 Other charges and expenses**

The Company pays all brokerage and any other fees arising from transactions involving securities in the Company's portfolio, clearing, taxes and governmental duties and charges payable by the Company, and fees and expenses involved in registering and maintaining the authorisation in Luxembourg and elsewhere (including but not limited to the fees due to the Management Company for cross-border registration and maintenance activities), and the listing of the Company's shares (where applicable), cost and expenses for subscriptions to professional associations and other organisations in Luxembourg or in other jurisdiction where it may be registered for offer of its shares, which the Company will decide to join in its own interest and in that of its shareholders, the cost of publication of prices and costs relating to distribution of dividends, the remuneration of the Directors, if any, and their reasonable out-of-pocket expenses and its other operating expenses such as the fees payable to the Domiciliary Agent accounting and pricing costs, expenses for legal, auditing and other professional services relating to the management of the Company and of its Sub-Funds, costs of printing, translating, and publishing information for the shareholders and in particular the costs of printing, translating and distributing the periodic reports, as well as the Prospectuses, the KIIDs (the production and update costs which are payable to the Management Company), litigation and other recurring or non-recurring expenses.

Any extraordinary expenses including, without limitation, litigation expenses and the full amount of any tax, levy, duty or similar charge and any unforeseen charges imposed on the Company or its assets will be borne by the Company.

The costs and expenses for the formation of the Company and the initial issue of its shares will be borne by the first Sub-Fund of the Company (namely the BOC (Europe) UCITS SICAV - RQFII Fixed Income Fund) and amortized over a period not exceeding 5 years. Any additional Sub-Fund(s) which may be created in the future shall bear their own formation expenses to be amortized over a period not exceeding 5 years.

## **14. MANAGEMENT COMPANY**

The Company has appointed Luxcellence Management Company S.A. to serve as its designated Management Company in accordance with the 2010 Law pursuant to a management company agreement dated 8 January 2016 effective as of 31 December 2015 (the "**Management Company**")

**Agreement**"). Under this agreement, the Management Company provides collective portfolio management services in accordance with the 2010 Law of and as specified in the Management Company Agreement, subject to the overall supervision and control of the Board of Directors.

As of the date of this Prospectus, the Management Company's board of directors consists of the following members:

- Guillaume Fromont, Chairman
- Jean-Luc Jacquemin, Managing Director
- Lucien Euler, Independent Director
- Aurélien Veil, Director

Mr Pascal Pira, Mr Gregory Cabanetos and Mr Jean-Luc Jacquemin have been appointed as conducting officers of the Management Company, as referred to in Article 102 of the 2010 Law and CSSF Circular 18/698.

As provided in Appendix II of the 2010 Law, these services include inter alia the following tasks:

- Portfolio management;
- Administration:
  - legal and fund management accounting services,
  - customer inquiries,
  - valuation of the portfolio and pricing of the shares (including tax returns),
  - regulatory compliance monitoring,
  - maintenance of shareholder register,
  - distribution of income,
  - unit issue and repurchase,
  - contract settlements (including certificate dispatch),
  - record keeping;
- Marketing.

The Management Company was incorporated as a public company (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg on 31 January 1994, by notarial deed published in the *Mémorial* on 7 March 1994. The notarial deed was deposited with the Registrar of the District Court of Luxembourg under the number RCS B 46.546. The articles of incorporation of the Management Company were last amended on 4 October 2018.

As of the date of this Prospectus its share capital amounts to EUR 1.000.000.

The Management Company is authorised and supervised by the CSSF pursuant to Chapter 15 of the 2010 Law. The Management Company is wholly owned by CACEIS S.A., the holding company of CACEIS Group, and is part of the same group as CACEIS Bank, Luxembourg Branch.

The Management Company Agreement is concluded for an indefinite period of time and may be terminated by either party upon three months' prior written notice or forthwith by notice in writing in the specific circumstances provided in such agreement.

The Management Company may delegate certain of its duties to third parties. Third parties to whom such functions have been delegated by the Management Company will be remunerated directly by the Company, except as otherwise provided hereinafter.

The Management Company shall at all time act in the best interests of the shareholders of the Company and according to the provisions set forth by the 2010 Law, the Prospectus and the Articles of Incorporation.

In fulfilling its responsibilities set forth by the 2010 Law and the Management Company Agreement, the Management Company is permitted to delegate all or a part of its functions and duties to third parties, provided that it retains ultimate responsibility and oversight over such delegates. The appointment of third parties is subject to the approval of the Company and the CSSF. The Management Company's liability shall not be affected by the fact that it has delegated its functions and duties to third parties.

The Management Company may act as the management company of other investment funds. The names of these other investment funds are available at the registered office of the Management Company upon request.

In accordance with the 2010 Law and the UCITS Rules, the Management Company has established and applies a remuneration policy and practices that are consistent with, and promote, sound and effective risk management and that does not encourage risk taking which is inconsistent with the risk profile and the Articles of Incorporation.

The Management Company's remuneration policy is in line with the business strategy, objectives, values and interests of the Management Company and the Company and its investors and includes measures to avoid conflicts of interest.

Fixed and variable components of total remuneration are appropriately balanced and the fixed remuneration component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

If and to the extent applicable, the assessment of performance is set in a multi-year framework appropriate to the holding period recommended to the investors of the Company managed by the Management Company in order to ensure that the assessment process is based on the longer-term performance of the Company and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period.

The details of the Management Company's remuneration policy are available on the following website <http://www.luxcellence.com/files/remuneration-policy.pdf>. A paper copy of the remuneration policy will be made available free of charge to the investors of the Company upon request to the Management Company.

The Management Company is supervised by an independent auditor. At present, this function is performed by Ernst & Young Luxembourg.

## 15. INVESTMENT MANAGER

The Management Company, with the consent of the Company and the CSSF, may delegate all or part of its management duties to one or more investment managers (each an "**Investment Manager**") whose identity will be disclosed in the relevant Sub-Fund Particular, pursuant to relevant investment management agreement(s) (the "**Investment Management Agreement(s)**").

The Investment Management Agreement(s) is/are entered into for an unlimited period and may be terminated by either party upon three months' written notice.

The Investment Manager may also appoint one or more investment advisers (each an "**Investment Adviser**") to advise it on the management of one or more Sub-Fund(s), pursuant to relevant investment advisory agreement(s) (the "**Investment Advisory Agreement(s)**").

## 16. GLOBAL DISTRIBUTOR OF SHARES

The Management Company with the consent of the Company and the CSSF has appointed Bank of China (Luxembourg) S.A. as its global distributor (the "**Global Distributor**") pursuant to a global distribution agreement dated 8 January 2016 effective as of 31 December 2015 (the "**Global Distribution Agreement**").

This agreement is entered into for an unlimited period and may be terminated by either party upon thirty (30) days' written notice.

The Global Distributor may appoint at its own costs and responsibilities one or more sub-distributor(s) (the "**Sub-Distributor(s)**") permitted to be a distributor of the Company's shares by the competent authority in the jurisdiction of the sub-distributor(s).

The Management Company, the Global Distributor and any appointed Sub-Distributor(s) will take the necessary measures to prevent late trading and market timing practices in compliance with all requirements of CSSF Circular dated 17 June 2004 concerning the protection of undertakings for collective investment and their investors against late trading and market timing practices and any other applicable rule or regulation.

## 17. DEPOSITARY BANK

CACEIS Bank, Luxembourg Branch has been appointed by the Company as Depositary through a depositary agreement dated 20 December 2016 effective as of 13 October 2016, as amended from time to time (the "**Depositary Agreement**") and the relevant provisions of the 2010 Law and UCITS Rules.

CACEIS Bank acting through its Luxembourg branch (CACEIS Bank, Luxembourg Branch) is a public limited liability company (*société anonyme*) incorporated under the laws of France, having its registered office located at 1-3, place Valhubert, 75013 Paris, France, registered with the French Register of Trade and Companies under number 692 024 722 RCS Paris. It is an authorised credit institution supervised by the European Central Bank (ECB) and the *Autorité de Contrôle Prudentiel et de Résolution*). It is further authorised to exercise through its Luxembourg branch banking and central administration activities in Luxembourg.

Investors may consult upon request at the registered office of the Company, the Depositary Agreement to have a better understanding and knowledge of the limited duties and liabilities of the Depositary.

The Depositary has been entrusted with the custody and/or, as the case may be, recordkeeping and ownership verification of the Sub-Funds' assets, and it shall fulfil the obligations and duties provided for by Part I of the 2010 Law. In particular, the Depositary shall ensure an effective and proper monitoring of the Company' cash flows.

In due compliance with the UCITS Rules the Depositary shall:

- (i) ensure that the sale, issue, re-purchase, redemption and cancellation of units of the Company are carried out in accordance with the applicable national law and the UCITS Rules or the Articles of Incorporation;
- (ii) ensure that the value of the shares of the Sub-Funds is calculated in accordance with the UCITS Rules, the Articles of Incorporation and the procedures laid down in Directive 2009/65/EC;
- (iii) carry out the instructions of the Company, unless they conflict with the UCITS Rules, or the Articles of Incorporation;
- (iv) ensure that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits; and
- (v) ensure that a Company's income is applied in accordance with the UCITS Rules and the Articles of Incorporation.

The Depositary may not delegate any of the obligations and duties set out in (i) to (v) of this clause. In compliance with the provisions of Directive 2009/65/EC, the Depositary may, under certain conditions, entrust part or all of the assets which are placed under its custody and/or recordkeeping to correspondents or third party custodians as appointed from time to time. The Depositary's liability shall not be affected by any such delegation, unless otherwise specified, but only within the limits as

permitted by the 2010 Law.

A list of these correspondents/third party custodians are available on the website of the Depositary ([www.caceis.com](http://www.caceis.com), section "*veille réglementaire*"). Such list may be updated from time to time. A complete list of all correspondents/third party custodians may be obtained, free of charge and upon request, from the Depositary. Up-to-date information regarding the identity of the Depositary, the description of its duties and of conflicts of interest that may arise, the safekeeping functions delegated by the Depositary and any conflicts of interest that may arise from such a delegation are also made available to investors on the website of the Depositary, as mentioned above, and upon request. There are many situations in which a conflict of interest may arise, notably when the Depositary delegates its safekeeping functions or when the Depositary also performs other tasks on behalf of the Company, such as administrative agency and registrar agency services. These situations and the conflicts of interest thereto related have been identified by the Depositary. In order to protect the Company's and its shareholders' interests and comply with applicable regulations, a policy and procedures designed to prevent situations of conflicts of interest and monitor them when they arise have been set in place within the Depositary, aiming namely at:

- (a) identifying and analysing potential situations of conflicts of interest;
- (b) recording, managing and monitoring the conflict of interest situations either in:
  - relying on the permanent measures in place to address conflicts of interest such as maintaining separate legal entities, segregation of duties, separation of reporting lines, insider lists for staff members; or
  - implementing a case-by-case management to (i) take the appropriate preventive measures such as drawing up a new watch list, implementing a new Chinese wall, making sure that operations are carried out at arm's length and/or informing the concerned shareholders of the Company, or (ii) refuse to carry out the activity giving rise to the conflict of interest.

The Depositary has established a functional, hierarchical and/or contractual separation between the performance of its UCITS depositary functions and the performance of other tasks on behalf of the Company, notably, administrative agency and registrar agency services.

The Company and the Depositary may terminate the Depositary Agreement at any time by giving three (3) months' notice in writing. The Company may, however, dismiss the Depositary only if a new depositary bank is appointed within two months to take over the functions and responsibilities of the Depositary. After its dismissal, the Depositary must continue to carry out its functions and responsibilities until such time as the entire assets of the Sub-Funds have been transferred to the new depositary bank.

The Depositary has no decision-making discretion nor any advice duty relating to the Company's investments. The Depositary is a service provider to the Company and is not responsible for the preparation of this Prospectus and therefore accepts no responsibility for the accuracy of any information contained in this Prospectus or the validity of the structure and investments of the Company.

## **18. ADMINISTRATION**

### **18.1 Administration Agent**

The Management Company, with the consent of the Company and the CSSF, has delegated the administration of the Company to CACEIS Bank, Luxembourg Branch and has authorized the latter in turn to delegate tasks wholly or partly to one or more third parties under the supervision and ultimate responsibility of the Management Company.

As the Administration Agent, CACEIS Bank, Luxembourg Branch, will assume all administrative duties that arise in connection with the administration of the Company.

The agreement between the Management Company, the Administration Agent and the Company, dated 8 January 2016 effective as of 31 December 2015 (the "**Central Administration Services Agreement**"), may be terminated by a written prior notice given three months in advance by one party to the other.

The Administrator is not responsible for any investment decisions of the Company or the effect of such investment decisions on the performance of the Company. The Administration Agreement contains provisions indemnifying the Administrator, and exempting the Administrator from liability, in certain circumstances.

### **18.2 Registrar and Transfer Agent, Paying Agent, and Domiciliary Agent**

CACEIS Bank, Luxembourg Branch has also been appointed by the Management Company (with the consent of the Company and the CSSF) as Registrar and Transfer Agent and Paying Agent of the Company pursuant to the Central Administration Services Agreement dated 8 January 2016 effective as of 31 December 2015, which may be terminated by a written prior notice given six (6) months in advance by one party to the other parties.

In addition, CACEIS Bank, Luxembourg Branch has been appointed as domiciliary agent of the Company pursuant to a Domiciliary Services Agreement dated 8 January 2016 effective as of 31 December 2015, which may be terminated by a written prior notice given three (3) months in advance by one party to the other.

## **19. CONFLICTS OF INTEREST**

The Management Company, the Investment Manager, the Investment Adviser(s), the Global Distributor, the Sub-Distributors, the Administration Agent, the Registrar and Transfer Agent and the Depositary Bank may from time to time act as management company, investment manager, investment adviser, global distributor, sub-distributor(s), administrator, registrar and transfer agent or depositary bank in relation to, or be otherwise involved in, other funds which have similar investment objectives to those of the Company or any Sub-Fund. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interest with the Company or any Sub-Fund. In such event, each will at all times have regard to its obligations under any agreements to which it is party or by which it is bound in relation to the Company or any Sub-Fund. In particular,

but without limitation to its obligations to act in the best interests of the shareholders when undertaking any dealings or investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are resolved fairly.

There is no prohibition on the Company entering into any transactions with the Management Company, the Investment Manager, the Investment Adviser(s), the Global Distributor, the Sub-Distributor(s), the Administration Agent, the Registrar and Transfer Agent or the Depositary Bank or with any of their affiliates, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length. The Investment Manager or any affiliates acting in a fiduciary capacity with respect to client accounts may recommend to or direct clients to buy and sell shares of the Company.

## **20. MEETINGS AND REPORTS**

The annual general meeting of shareholders of the Company (the "Annual General Meeting") is held at the registered office of the Company or such other place as may be specified in the notice of meeting in Luxembourg at 10 a.m. (Luxembourg time) on the second Thursday of May in each year (or, if such day is not a Business Day, on the next following Business Day in Luxembourg).

Under the conditions set forth in Luxembourg laws and regulations, the Annual General Meeting may be held at a date, time or place other than those set forth in the preceding paragraph, that date, time or place to be decided by the Board of Directors.

Other general meetings of shareholders will be held at such time and place as are indicated in the notices of such meetings.

Notices of general meetings are given in accordance with Luxembourg Law. Notices will specify the place and time of the meetings, the conditions of admission, the agenda, the quorum and the voting requirements. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in the Articles of Incorporation.

Under the conditions set forth in Luxembourg laws and regulations, the notice of any general meeting of shareholders may provide that the quorum and the majority at this general meeting shall be determined according to shares issued and outstanding at a certain date and time preceding the general meeting (the "Record Date"), whereas the right of a shareholder to attend a general meeting of shareholders and to exercise the voting rights attaching to his shares shall be determined by reference to the shares held by this shareholder as at the Record Date.

Financial periods of the Company end on 31 December of each year. The annual report containing the audited consolidated financial accounts of the Company expressed in EUR in respect of the preceding financial period and with details of each Sub-Fund in the relevant Base Currency is made available at the Company's registered office, at least 8 days before the Annual General Meeting.

The semi-annual report dated as of 30 June each year will be available at the Company's registered office, at the latest two months after the end of the period to which it relates.

Copies of all reports are available at the registered offices of the Company.

## **21. TAXATION**

The following information is based on the laws, regulations, decisions and practice currently in force in Luxembourg and is subject to changes therein, possibly with retrospective effect. This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of shares and is not intended as tax advice to any particular investor or potential investor. Prospective investors should consult their own professional advisers as to the implications of buying, holding or disposing of shares and to the provisions of the laws of the jurisdiction in which they are subject to tax. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

### **21.1 Taxation of the Company**

The Company is not subject to taxation in Luxembourg on its income, profits or gains.

The Company is not subject to net wealth tax in Luxembourg.

No stamp duty, capital duty or other tax will be payable in Luxembourg upon the issue of the shares of the Company.

The Sub-Funds are, nevertheless, in principle, subject to a subscription tax (*taxe d'abonnement*) levied at the rate of 0.05% *per annum* based on their Net Asset Value at the end of the relevant quarter, calculated and paid quarterly.

A reduced subscription tax rate of 0.01% *per annum* is however applicable to any Sub-Fund whose exclusive object is the collective investment in money market instruments, the placing of deposits with credit institutions, or both. A reduced subscription tax rate of 0.01% *per annum* is also applicable to any Sub-Fund or Class provided that their shares are only held by one or more Institutional Investors.

A Subscription tax exemption applies to:

- the portion of any Sub-Fund's assets (prorata) invested in a Luxembourg investment fund or any of its sub-funds to the extent it is subject to the subscription tax;
- any Sub-Fund (i) whose securities are only held by Institutional Investor(s), and (ii) whose sole object is the collective investment in Money Market Instruments and the placing of deposits with credit institutions, and (iii) whose weighted residual portfolio maturity does not exceed 90 days, and (iv) that have obtained the highest possible rating from a recognised rating agency. If several Classes are in issue in the relevant Sub-Fund meeting (ii) to (iv) above, only those Classes meeting (i) above will benefit from this exemption;
- any Sub-Fund whose main objective is the investment in microfinance institutions;
- any Sub-Fund, (i) whose securities are listed or traded on a stock exchange and (ii) whose

exclusive object is to replicate the performance of one or more indices. If several Classes are in issue in the relevant Sub-Fund meeting (ii) above, only those Classes meeting (i) above will benefit from this exemption; and

- any Sub-Fund only held by pension funds and assimilated vehicles.

## **21.2 Withholding tax**

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax in the source countries. The Company may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin. The Company may benefit from double tax treaties entered into by Luxembourg, which may provide for exemption from withholding tax or reduction of withholding tax rate.

Distributions made by the Company, as well as liquidation proceeds and capital gains derived therefrom are not subject to withholding tax in Luxembourg.

## **21.3 Taxation of the Shareholders**

### **Luxembourg resident individuals**

Capital gains realised on the sale of the shares by Luxembourg resident individual investors who hold the shares in their personal portfolios (and not as business assets) are generally not subject to Luxembourg income tax except if:

- (i) the shares are sold within 6 months from their subscription or purchase; or
- (ii) if the shares held in the private portfolio constitute a substantial shareholding. A shareholding is considered as substantial when the seller holds or has held, alone or with his/her spouse and underage children, either directly or indirectly at any time during the five years preceding the date of the disposal, more than 10% of the share capital of the Company.

Distributions received from the Company will be subject to Luxembourg personal income tax. Luxembourg personal income tax is levied following a progressive income tax scale, and increased by the solidarity surcharge (*contribution au fonds pour l'emploi*).

### **Luxembourg resident corporate**

Luxembourg resident corporate investors will be subject to corporate taxation at the rate of 26.01% (in 2019 for entities having their registered office in Luxembourg-City) on capital gains realised upon disposal of shares and on the distributions received from the Company.

Luxembourg resident corporate investors who benefit from a special tax regime, such as, for example, (i) a UCI subject to the 2010 Law, (ii) a specialised investment fund subject to the amended law of 13 February 2007 on specialised investment funds, (iii) a reserved alternative investment fund subject to the law of 23 July 2016 on reserved alternative investment funds (to the extent they have not opted to be subject to general corporation taxes), or (iv) a family wealth management company subject to the

amended law of 11 May 2007 related to family wealth management companies, are exempt from income tax in Luxembourg, but are instead subject to an annual subscription tax (*taxe d'abonnement*) and thus income derived from the shares, as well as gains realised thereon, are not subject to Luxembourg income taxes.

The shares shall be part of the taxable net wealth of the Luxembourg resident corporate investors except if the holder of the shares is (i) a UCI subject to the 2010 Law, (ii) a vehicle governed by the amended law of 22 March 2004 on securitization, (iii) an investment company in risk capital subject to the amended law of 15 June 2004 on the investment company in risk capital, (iv) a specialised investment fund subject to the amended law of 13 February 2007 on specialised investment funds (v) a reserved alternative investment fund subject to the law of 23 July 2016 on reserved alternative investment funds, or (vi) a family wealth management company subject to the amended law of 11 May 2007 related to family wealth management companies. The taxable net wealth is subject to tax on a yearly basis at the rate of 0.5%. A reduced tax rate of 0.05% is due for the portion of the net wealth tax exceeding EUR 500 million.

### **Non Luxembourg residents**

Non resident individuals or collective entities who do not have a permanent establishment in Luxembourg to which the shares are attributable, are not subject to Luxembourg taxation on capital gains realized upon disposal of the shares nor on the distribution received from the Company and the shares will not be subject to net wealth tax.

### **Automatic Exchange of Information**

The Organisation for Economic Co-operation and Development ("OECD") has developed a common reporting standard ("CRS") to achieve a comprehensive and multilateral automatic exchange of information (AEOI) on a global basis. On 9 December 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "Euro-CRS Directive") was adopted in order to implement the CRS among the Member States. The Euro-CRS Directive was implemented into Luxembourg law by the law of 18 December 2015 on the automatic exchange of financial account information in the field of taxation ("CRS Law").

The CRS Law requires Luxembourg financial institutions to identify financial asset holders and establish if they are fiscally resident in countries with which Luxembourg has a tax information sharing agreement.

Accordingly, the Company may require its investors to provide information in relation to the identity and fiscal residence of financial account holders (including certain entities and their controlling persons), in order to ascertain their CRS status. Responding to CRS-related questions is mandatory. The personal data obtained will be used for the purpose of the CRS Law or such other purposes indicated by the Company in the data protection section of the Prospectus in compliance with Luxembourg data protection law. Information regarding an investor and his/her/its account will be reported to the Luxembourg tax authorities (*Administration des Contributions Directes*) which will

thereafter automatically transfer this information to the competent foreign tax authorities on a yearly basis, if such an account is deemed a CRS reportable account under the CRS Law.

Under the CRS Law, the first exchange of information will be applied by 30 September of each year for information related to the preceding calendar year. Under the Euro-CRS Directive, the first AEOI must be applied by 30 September of each year to the local tax authorities of the Member States for the data relating to the preceding year.

In addition, Luxembourg signed the OECD's multilateral competent authority agreement ("Multilateral Agreement") to exchange information automatically under the CRS. The Multilateral Agreement aims to implement the CRS among non-Member States; it requires agreements on a country-by-country basis.

The Company reserves the right to refuse any application for shares if the information provided or not provided does not satisfy the requirements under the CRS Law.

Investors should consult their professional advisers on the possible tax and other consequences with respect to the implementation of the CRS.

#### **21.4 FATCA**

The Foreign Account Tax Compliance Act ("FATCA"), a portion of the 2010 Hiring Incentives to Restore Employment Act, became law in the United States in 2010. It requires financial institutions outside the US ("foreign financial institutions" or "FFIs") to pass information about "Financial Accounts" held by "Specified US Persons", directly or indirectly, to the US tax authorities, the Internal Revenue Service ("IRS") on an annual basis. A 30% withholding tax is imposed on certain US source income of any FFI that fails to comply with this requirement. On 28 March 2014, the Grand-Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the United States of America and a memorandum of understanding in respect thereof. The Company would hence have to comply with this Luxembourg IGA as implemented into Luxembourg law by the Law of 24 July 2015 relating to FATCA (the "FATCA Law") in order to comply with the provisions of FATCA rather than directly complying with the US Treasury Regulations implementing FATCA. Under the FATCA Law and the Luxembourg IGA, the Company may be required to collect information aiming to identify its direct and indirect shareholders that are Specified US Persons for FATCA purposes ("FATCA reportable accounts"). Any such information on FATCA reportable accounts provided to the Company will be shared with the Luxembourg tax authorities which will exchange that information on an automatic basis with the Government of the United States of America pursuant to Article 28 of the Convention between the Government of the United States of America and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes in Income and Capital, entered into in Luxembourg on 3 April 1996. The Company intends to comply with the provisions of the FATCA Law and the Luxembourg IGA to be deemed compliant with FATCA and will thus not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Company. The Company will continually assess the extent of the requirements that FATCA, and notably the FATCA Law, place upon it.

To ensure the Company's compliance with FATCA, the FATCA Law and the Luxembourg IGA in accordance with the foregoing, the Company, if applicable, may:

- a. request information or documentation, including W-8 tax forms, a Global Intermediary Identification Number, if applicable, or any other valid evidence of a shareholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain that shareholder's FATCA status;
- b. report information concerning a shareholder and his/her/its account holding in the Company to the Luxembourg tax authorities if such an account is deemed a FATCA reportable account under the FATCA Law and the Luxembourg IGA;
- c. report information to the Luxembourg tax authorities (*Administration des Contributions Directes*) concerning payments to shareholders with FATCA status of a non-participating foreign financial institution;
- d. deduct applicable US withholding taxes from certain payments made to a shareholder by or on behalf of the Company in accordance with FATCA, the FATCA Law and the Luxembourg IGA; and
- e. divulge any such personal information to any immediate payer of certain U.S. source income as may be required for withholding and reporting to occur with respect to the payment of such income.

## **21.5 Prospective investors**

Prospective investors should inform themselves of, and if appropriate take advice, on the laws and regulations in particular those relating to taxation (but also those relating to foreign exchange controls) applicable to the subscription, purchase, holding conversion and redemption of shares in the country of their citizenship, residence or domicile and their current tax situation (in particular with regard to the Savings Directive) and the current tax status of the Company in Luxembourg.

## **22. APPLICABLE LAW**

The Luxembourg District Court is competent for all legal disputes between the shareholders and the Company. Luxembourg law applies. The English version of this Prospectus is the authoritative version and shall prevail in the event of any inconsistency with any translation hereof.

Statements made in this Prospectus are based on the laws and practice in force at the date of this Prospectus in the Grand Duchy of Luxembourg, and are subject to changes in those laws and practice.

## **23. LIQUIDATION OF THE COMPANY / TERMINATION AND AMALGAMATION OF SUB-FUNDS**

### **23.1 Liquidation of the Company**

With the consent of the shareholders expressed in the manner provided for by Articles 450-3 and 1100-2 of the 1915 Law, the Company may be liquidated. Upon a decision taken by the shareholders of the Company or by the liquidator duly authorised and subject to a one month's prior notice to the shareholders, all assets and liabilities of the Company may be transferred to another UCI having substantially the same characteristics as the Company in exchange for the issue to shareholders in the Company of shares of such corporation or fund proportionate to their shareholdings in the Company.

If at any time the value at their respective net asset values of all outstanding shares falls below two thirds of the minimum capital for the time being prescribed by Luxembourg Law, the Board of Directors must submit the question of dissolution of the Company to a general meeting of shareholders acting, without minimum quorum requirements, by a simple majority decision of the shares represented at the meeting.

If at any time the value at their respective net asset values of all outstanding shares is less than one quarter of the minimum capital for the time being required by Luxembourg Law, the Directors must submit the question of dissolution of the Company to a general meeting, acting without minimum quorum requirements and a decision to dissolve the Company may be taken by the shareholders owning one quarter of the shares represented at the meeting.

Any voluntary liquidation will be carried out in accordance with the provisions of the 2010 Law and the 1915 Law which specify the steps to be taken to enable shareholders to participate in the liquidation distribution(s) and in that connection provides for deposit in escrow at the *Caisse de Consignation* of any such amounts to the close of liquidation. Amounts not claimed from escrow within the prescription period would be liable to be forfeited in accordance with the provisions of Luxembourg laws.

### **23.2 Liquidation, merger, split or consolidation of Sub-Fund(s)/Classes**

The Directors may decide to liquidate one Sub-Fund or Class if the net assets of such Sub-Fund or Class fall below such an amount that the Board of Directors believes no longer permits the relevant Sub-Fund to be managed in a viable manner or, one Sub-Fund/Class if a change in the economic or political situation relating to the Sub-Fund or Class concerned would justify such liquidation or if the interests of the shareholders would justify it. The decision of the liquidation will be published or notified to the shareholders by the Company as decided from time to time by the Directors, prior to the effective date of the liquidation and the publication/notification will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Board of Directors otherwise decides in the interests of, or to keep equal treatment between the shareholders, the shareholders of the Sub-Fund or Class concerned may continue to request redemption or conversion of their shares free of charge. The redemption / conversion price will however take into account actual realisation prices of investments and realisation expenses and prior to the effective date of the liquidation. Assets which could not be distributed to their beneficiaries upon the close of the liquidation of the Sub-Fund or Class concerned

will be deposited with the *Caisse de Consignation* on behalf of their beneficiaries.

Where the Board of Directors does not have the authority to do so or where the Board of Directors determines that the decision should be put for shareholders' approval, the decision to liquidate a Sub-Fund or Class may be taken at a meeting of shareholders of the Sub-Fund or Class to be liquidated instead of being taken by the Board of Directors. At such Class/Sub-Fund meeting, no quorum shall be required and the decision to liquidate must be approved by shareholders with a simple majority of the votes cast. The decision of the meeting will be notified to the shareholders and/or published by the Company.

Any merger, split or consolidation of a Sub-Fund/Class shall be decided by the Board of Directors unless the Board of Directors decides to submit the decision for a merger/split/consolidation to a meeting of shareholders of the Sub-Fund (or Class as the case may be) concerned. No quorum is required for this meeting and decisions are taken by the simple majority of the votes cast.

In case of a merger of one or more Sub-Fund(s) where, as a result, the Company ceases to exist, the merger shall be decided by a meeting of shareholders for which no quorum is required and that may decide with a simple majority of votes cast. In addition the provisions on mergers of UCITS set forth in the 2010 Law and any implementing regulation (relating in particular to the notification to the shareholders concerned) shall apply.

## **24. DOCUMENTS AVAILABLE FOR INSPECTION, QUERIES AND COMPLAINTS**

### **24.1 Documents available for inspection**

The following documents are available for inspection during usual business hours on any Business Day at the registered office of the Company.

- i) The Articles of Incorporation;
- ii) The most recent Prospectus;
- iii) The Key Investors Information Documents or KIIDs;
- iv) The latest annual and semi-annual reports; and
- v) The material agreements, i.e.:
  - the Depositary Agreement,
  - the Management Company Agreement,
  - the Investment Management Agreements,
  - the Domiciliary Services Agreement,
  - the Central Administration Services Agreement,
  - the Global Distribution Agreement.

In addition, copies of the Articles of Incorporation, the most recent Prospectus, the Key Investor Information Documents and the latest financial reports may be obtained free of charge, on request at the registered office of the Company.

In addition, the Key Investor Information Documents may be obtained in paper form or on any other durable medium agreed between the Company or the intermediary and the investor.

Additional information which shall be made available by the Management Company in accordance with the provisions of Luxembourg laws and regulations may be requested to the Management Company's registered office.

## **24.2 Complaints**

Shareholders of the Company may file complaints free of charge with the Management Company in an official language of their home country.

Shareholders can access the complaints handling procedure on the Management Company's website at: <http://www.luxcellence.com/files/complaints.pdf>.

<b>SUB-FUND PARTICULARS</b>
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## **I. BOC (Europe) UCITS SICAV – BOCHK RMB High Yield Bond Fund**

### **1. Name of the Sub-Fund**

BOC (Europe) UCITS SICAV – BOCHK RMB High Yield Bond Fund (the "**Sub-Fund**")

### **2. Base Currency**

RMB

### **3. Investment objective and policy**

#### **Investment Objective**

The principal investment objective of the Sub-Fund is to generate long-term capital growth and income in RMB (as defined in the Glossary) by investing at least 50% of its net assets in debt products, deposits and other fixed-income instruments and securities ("**Debt Securities**") that are denominated in RMB, hedged to RMB or otherwise have exposure to RMB.

The Sub-Fund may invest up to 100% of its assets in both higher-yielding Sub-Investment Grade Debt Securities (as defined below) and non-rated Debt Securities. Although an investment in these instruments may assist the Sub-Fund to achieve a higher level of current income and capital appreciation, such an investment will also subject the Sub-Fund to substantial credit, price volatility and liquidity risk, which may lead to potential losses.

In the foregoing paragraph, "**Sub-Investment Grade Debt Securities**" means Debt Securities which generally have a credit rating of Ba1 or below and a minimum credit rating of Caa1 from Moody's Investors Service, or an equivalent credit rating from another internationally-recognized rating agency. If a Debt Security is not rated by any rating agency, the Investment Manager will use its own internal assessment of the creditworthiness of the relevant issuer for the purposes of managing the assets of the Sub-Fund.

The Sub-Fund will not invest in Debt Securities that qualify as Distressed Securities at the time of purchase. However, as a result of a rating downgrade of the relevant securities, the Sub-Fund may hold Distressed Securities to a limited extent.

In the foregoing paragraph, "Distressed Securities" means securities that are labelled as distressed when the company issuing them is unable to meet many of its financial obligations. In most cases, these securities carry a Caa2 or below credit rating from Moody's Investors Service or an equivalent rating from another internationally-recognized rating agency.

For the purpose of these Sub-Fund Particulars, "RMB" means the lawful currency of the People's Republic of China (the "PRC") excluding Hong Kong, the Macau Special Administration Region of the PRC and Taiwan.

### **Investment Strategies**

In order to achieve its investment objective, the Investment Manager on behalf of the Sub-Fund will invest, directly or otherwise, the net proceeds of any issue of shares in eligible assets under the 2010 Law and Directive 2009/65/EC, in a portfolio consisting primarily of Debt Securities, in markets both in and outside the PRC. The Sub-Fund's allocations to particular investments will depend on, amongst other factors, their relative risk and potential returns and the availability and attractiveness of, and access to, the relevant markets.

The Sub-Fund may also invest in other RMB-denominated instruments, securities and deposits issued in or outside the PRC as well as other instruments, including without limitation, Debt Securities denominated in currencies other than RMB, interest rate or currency hedging tools (in order to gain exposure to RMB) and other instruments and securities as it deems fit. The onshore and offshore Debt Securities that the Sub-Fund may invest in include, but are not limited to, bills, notes, bonds, floating rate notes, Money Market Instruments, certificates of deposit, commercial paper, exchangeable bonds and convertible bonds issued by governments, government agencies, supranational entities, corporations, financial institutions and banks. The Sub-Fund may invest in Debt Securities which have investment-grade and non-investment grade credit ratings from accredited rating agencies such as, but not limited to, Standard & Poor's and Moody's, as well as non-rated Debt Securities.

The Sub-Fund may invest up to 10% of its net assets in contingent convertible securities.

The Sub-Fund shall not invest more than 10% of its net assets in shares or units of other UCITS or other undertakings for collective investment.

The Sub-Fund may enter into Financial Derivative Instruments both for hedging and/or investment purposes.

The use of FX forward contracts in respect of currency hedged Classes may result in the economic leverage assumed in respect of the currency hedged Classes exceeding 100% of the Net Asset Value of the currency hedged Classes.

The Sub-Fund is actively managed and does not make use of any benchmark.

#### *Global exposure*

The Sub-Fund will apply the absolute value-at-risk (VaR) approach for measuring risk.

VaR analysis is based on a statistical analysis of movements in the relevant market over a specified historical observation period of one year, in order to identify the potential losses which may occur during a specified "holding period".

The absolute VaR of the Sub-Fund shall not exceed 20% of its Net Asset Value, where such absolute VaR is determined daily on the basis of a 99% confidence interval and a holding period of 1 month.

The leverage is not expected to exceed 300% of the Net Asset Value of the Sub-Fund.

The Sub-Fund's actual level of leverage might exceed the expected level from time to time. However, the use of financial derivatives instruments will remain consistent with the Portfolio's investment objective and risk profile and comply with its VaR limit.

In this context, leverage is a measure of the aggregate derivative usage and is calculated as the sum of the notional exposure of the financial derivative instruments used, without the use of netting arrangements. As the calculation neither takes into account whether a particular financial derivative instrument increases or decreases investment risk, nor takes into account the varying sensitivities of the notional exposure of the financial derivative instruments to market movements, this may not be representative of the level of investment risk within the Sub-Fund.

### ***The Onshore Market and the Offshore Market***

RMB as a currency is traded both onshore in the PRC (the "**Onshore Market**") and (relative to the PRC) offshore, primarily in Hong Kong (the "**Offshore Market**"). As a result of the controls on cross border transfers of RMB between Hong Kong and the PRC, the Onshore Market and the Offshore Market are, to an extent, segregated, and each such market may have different demand and supply conditions that are applicable to the RMB.

RMB that is traded within the Onshore Market (referred to by its currency code "CNY") may therefore trade at a different foreign exchange rate compared to RMB which is traded within the Offshore Market (as distinguished from CNY by its currency code "CNH"). The Sub-Fund's investments may be exposed to the prevailing values (and the difference in prevailing values) between the CNY and the CNH. Consequently, the Sub-Fund may be exposed to greater foreign exchange risks and/or higher costs of investment (for example, when converting other currencies to the RMB at the rate of exchange for the CNH).

### ***Obtaining exposure to RMB-denominated securities***

The Sub-Fund may obtain exposure to bonds traded on both the PRC onshore Market ("**Onshore Market**") and the offshore Market ("**Offshore Market**") in the following manner:

*Exposure to the Onshore Market:* The Sub-Fund may obtain exposure to RMB-denominated Debt Securities issued and traded within the PRC in several ways, including without limitation, the following:

- (i) By the Investment Manager appointing sub-investment manager(s) subject to the prior approval of the CSSF. In relation to any external asset manager it appoints, the Investment Manager will (a) have the discretion to appoint and/or remove such external asset manager in the interests of the Sub-Fund, or otherwise in order to facilitate achieving the investment objective of the Sub-Fund; (b) agree separate investment guidelines and benchmarks with such external asset manager as the Investment Manager shall deem appropriate; (c) monitor

the investment performance of such external asset manager; and (d) be responsible for the overall allocations between the Onshore Market and the Offshore Market.

- (ii) By investing in collective investment scheme(s), whether managed by external asset manager(s) or by the Investment Manager, which are either (a) Qualified Foreign Institutional Investor funds ("**QFII funds**") or (b) Renminbi Qualified Foreign Institutional Investor funds ("**RQFII funds**"), and which are permitted to invest directly in PRC domestic securities markets. The investments held through QFII funds or RQFII funds may include, but are not limited to, Debt Securities and other instruments permitted under applicable PRC regulations.

Before the Investment Manager invests the assets of the Sub-Fund in any collective investment scheme managed by an external asset manager (as described in paragraph (i) above) or any portfolio managed by an external asset manager (as described in paragraph (ii) above), the Investment Manager will conduct due diligence on such external asset manager, collective investment scheme or portfolio (as relevant), and shall take into consideration certain key criteria which may include the external asset manager's investment philosophy and investment strategies, and the credentials of its relevant investment and research teams, investment operations, risk management and compliance procedures. On both a periodic and ad-hoc basis, the Investment Manager will review the investment performance, strategies, risk management and compliance record of each external asset manager that it appoints on behalf of the Sub-Fund, with respect to the investments made on behalf of the Sub-Fund.

Moreover, investments in the Onshore Market shall be limited to 35% of the Net Asset Value of the Sub-Fund (or such other limit as may be prescribed by regulation).

- (iii) By investing directly in Debt Securities with onshore RMB exposure issued by a variety of public sector and private sector institutions, that are traded on a restricted basis in the PRC, whether on PRC Stock Exchanges or within the CIBM, or otherwise on other Regulated Markets in the PRC. The PRC government may modify the RQFII Regulations over time, and the Sub-Fund will consider investing in the RMB-denominated financial market in the PRC directly or through other means or channels when opportunities arise.
- (iv) By investing in derivative products (such as participatory notes or credit-linked notes) which have credit exposure to corporations or entities which issue Debt Securities (whether listed or unlisted) that are traded on a restricted basis in the PRC, whether on PRC Stock Exchanges, within the CIBM, or on other Regulated Markets in the PRC.

*Exposure to the Offshore Market:* The Sub-Fund may obtain exposure to offshore RMB-denominated Debt Securities (and other Debt Securities that are hedged to the RMB) in several ways. In particular, the Investment Manager may, but is not limited to:

- (i) directly investing in offshore RMB-denominated Debt Securities (and other Debt Securities that are hedged to the RMB) issued and traded outside the PRC;
- (ii) investing in Debt Securities which have direct or indirect exposure to onshore RMB-denominated bonds; and/or

- (iii) investing in USD denominated or other non-RMB-denominated Debt Securities, and dynamically hedging their market values and interest incomes to RMB with financial instruments such as non-deliverable currency forwards, non-deliverable currency swaps, deliverable currency forwards, deliverable currency swaps or other derivatives so as to indirectly gain RMB exposure for the Sub-Fund.

The Sub-Fund may at any time use any additional and/or alternative methods, channels, formats or instruments deemed appropriate by the Investment Manager to access the Onshore and Offshore Markets (directly or indirectly) so as to take advantage of any opportunities that arise and/or to comply with any changes to the applicable laws and regulations.

### **Strategies underlying the Investment Policy**

Different strategies including, but not limited to, duration strategies, yield curve strategies, credit selection strategies, sector allocation strategies and product selection strategies may be used by the Sub-Fund.

*Duration strategies:* The Sub-Fund may invest in fixed-rate bonds of short maturities or floating rate notes when interest rates and/or inflation rates tend to rise and the market has not fully priced in such rise with an aim to reinvest principal and coupon payment proceeds at higher reinvestment rates. Conversely, when interest rates and/or inflation rates tend to fall and the market has not fully priced in such a fall, the Sub-Fund may invest in fixed-rate bonds of longer maturities so as to lock in their yields for a longer period of time.

*Yield curve strategies:* The Sub-Fund may make an overweight allocation to fixed-rate bonds of both short and long maturities and an underweight allocation to bonds of intermediate maturities if the intermediate-tenor yields tend to rise while both the yields of short and long tenors tend to fall or remain stable.

*Credit strategies:* The Sub-Fund may invest in non-government bonds if their extra yields over government bonds of similar maturities (i.e. credit spreads) are high enough to compensate the Sub-Fund for their credit risk and liquidity risk on a portfolio basis.

*Sector allocation strategies:* The Sub-Fund may make an overweight allocation to a particular sector (such as bonds issued by commercial banks) or market (such as the domestic RMB bond market) if its risk-adjusted return profile is expected to be more attractive than others.

*Product selection strategies:* The Sub-Fund may invest in debt instruments to the extent permitted by the 2010 Law and Directive 2009/65/EC to allow the Sub-Fund to gain indirectly exposure to RMB bonds traded in the CIBM in the PRC if their expected risk-adjusted returns are more attractive than what are available from QFIIs or offshore bond markets.

*Hedging:* The Sub-Fund may engage in hedging as part of its investment strategy and to manage currency, interest rate and credit risks. In this regard, the Investment Manager may utilize a variety of financial instruments, such as currency forwards, currency options and swaps and interest rate options

and swaps (and such currency and interest rate contracts may involve both deliverable and non-deliverable currencies), bond futures and other derivatives (including credit derivatives). The Investment Manager may also engage in short selling through the use of derivative contracts for hedging purposes in accordance with applicable law.

Subject to the 2010 Law and Directive 2009/65/EC, the Sub-Fund may at any time use any additional and/or alternative methods, channels, formats or instruments deemed appropriate by the Investment Manager to access the Onshore and Offshore Markets in bonds, either directly or indirectly, so as to take advantage of any opportunities that arise and/or to comply with any changes to any applicable laws and regulations.

Subject to the 2010 Law and Directive 2009/65/EC, the Sub-Fund may hold 100% of its net assets in cash or cash equivalents should the Investment Manager deem such strategy to be prudent over any time period. The Sub-Fund may hold 100% of its net assets in government bonds issued by the same issuer. Any percentage of assets in cash or cash equivalent will not obtain any investment exposure to either the Onshore Market or the Offshore Market discussed above.

#### **4. Investment Manager**

The Investment Manager in respect of the Sub-Fund is BOCHK Asset Management Limited, 5/F, Bank of China Building, 2A Des Voeux Road Central, Hong Kong. The Investment Manager was incorporated in Hong Kong on 28 October 2010. It is licensed to conduct Types 1, 4, and 9 regulated activities as defined in Schedule 5 of the Securities and Futures Ordinance in Hong Kong ("SFO"). Such regulated activities include dealing in securities, advising on securities and asset management. The Investment Manager is a wholly-owned subsidiary of BOCHK Asset Management (Cayman) Limited which, in turn, is a wholly owned subsidiary of BOC Hong Kong (Holdings) Limited, which is listed on the Stock Exchange of Hong Kong.

#### **5. Profile of the typical investor**

Subject to their personal circumstances, the Sub-Fund may be suitable for investors who seek an exposure in RMB to Debt Securities which are not investment grade.

An investment in the Sub-Fund is not a deposit in a bank or other insured depository institution. Investment in the Sub-Fund may not be appropriate for all investors. The Sub-Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs when making an investment decision about the Sub-Fund. An investment in the Sub-Fund is intended to be a long-term investment. The Sub-Fund should not be used as a trading vehicle.

## 6. Classes of shares available for subscription

<b>Accumulation Classes</b>	"Z"	"X"	"I"	"C"	"D"	"A"
<b>Distribution Classes</b>	"ZD"	"XD"	"ID"	"CD"	"DD"	"AD"
<b>Base Currency:</b>	RMB					
<b>Reference Currencies</b>	AUD, CHF, EUR, GBP, HKD, JPY, RMB, USD					
<b>Currency Hedged Classes:</b>	All Classes except those denominated in RMB and HKD. (All Classes will also be available unhedged)					
<b>Restriction on the type of Investors:</b>	Institutional only	Institutional only	Institutional only	N/A	N/A	N/A
<b>Initial Offer Price*:</b>						
<b>AUD, CHF, EUR, GBP, USD</b>	100	100	100	100	100	100
<b>JPY</b>	10,000	10,000	10,000	10,000	10,000	10,000
<b>HKD, RMB</b>	600	600	600	600	600	600
<b>Minimum Initial Subscription:</b>						
<b>AUD, CHF, EUR, GBP, USD</b>	50,000,000	25,000,000	1,000,000	1,000	1,000	1,000
<b>JPY</b>	5,000,000,000	2,500,000,000	100,000,000	12,000,000	100,000	100,000
<b>HKD, RMB</b>	300,000,000	150,000,000	6,000,000	6,000	6,000	6,000
<b>Minimum Additional Subscription:</b>						
<b>AUD, CHF, EUR, GBP, USD</b>	N/A					
<b>JPY</b>	N/A					
<b>HKD, RMB</b>	N/A					
<b>Minimum redemption:</b>						
<b>AUD, CHF, EUR, GBP, USD</b>	N/A					
<b>JPY</b>	N/A					
<b>HKD, RMB</b>	N/A					

<b>Minimum holding:</b>						
<b>AUD, CHF, EUR, GBP, USD</b>	50,000,000	25,000,000	1,000,000	1,000	1,000	1,000
<b>JPY</b>	5,000,000,000	2,500,000,000	100,000,000	6,000,000	100,000	100,000
<b>HKD, RMB</b>	300,000,000	150,000,000	6,000,000	6,000	6,000	6,000
<b>Minimum Class Size:</b>						
<b>AUD, CHF, EUR, GBP, USD</b>	50,000,000	50,000,000	10,000,000	10,000,000	10,000,000	10,000,000
<b>JPY</b>	5,000,000,000	5,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
<b>HKD, RMB</b>	300,000,000	300,000,000	60,000,000	60,000,000	60,000,000	60,000,000

\* As of the date of this prospectus, some of the Classes of shares have already been launched and are therefore issued at an offer price based on the net asset value of such Class as described in Section 11.4 of the General Part of the Prospectus.

#### Accumulation Classes and Distribution Classes

The shares of the Sub-Fund are available either as capital accumulation or distribution shares.

Capital accumulation shares normally do not pay any dividends.

Distribution shares are identifiable by "D" following the Class name.

#### Currency Hedged Classes

The hedging undertaking in relation to Currency Hedged Classes is the NAV Hedge, it seeks to minimise the effect of exchange rate fluctuations between the Base Currency of the Sub-Fund and that of the Reference Currency of the Currency Hedged Classes. It is typically used when most portfolio holdings are either denominated in, or hedged back to, the Base Currency of the Sub-Fund. Where such hedging is undertaken, the Base Currency of the Sub-Fund is systematically hedged to the Reference Currency of the Currency Hedged Classes. In these Currency Hedged Classes, the Shareholder receives an excess return or loss similar to that of shares issued in the Base Currency of the Sub-Fund.

It is generally intended to carry out such hedging through the utilisation of various techniques, including entering into Over-The-Counter ("OTC") currency forward contracts and foreign exchange swap agreements. In cases where the underlying currency is not liquid, or where the underlying currency is closely linked to another currency, proxy hedging may be used. All costs and expenses incurred from the currency hedge transactions will be borne on a pro rata basis by all Currency Hedged Classes denominated in the same Reference Currency issued within the Sub-Fund.

Over-hedged or under-hedged positions may arise unintentionally due to factors outside the control of the Investment Manager. However, over-hedged positions will not exceed 105% of the net asset value of the Currency Hedged Classes and under-hedged positions will not fall below 95% of the net asset value of the Currency Hedged Classes.

The hedged positions will be kept under review to ensure that under-hedged positions do not fall below the level set out above and are not carried forward from month to month and that over-hedged positions materially in excess of 100% will not be carried forward from month to month.

Investors should be aware that any currency hedging process may not give a precise hedge. Furthermore, there is no guarantee that the hedging will be totally successful. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of their Class.

Currency Hedged Classes can be identified in the above table under section 6 of this Sub-Fund Particular. These Classes can also be identified by the letters Hdg appearing after currency denomination of the Class mentioned in the list of available Classes set out on the internet website of the Management Company at [www.luxcellence.com](http://www.luxcellence.com).

## 7. Fees and expenses

The Management Company Fee and Investment Management Fees detailed in the table below shall be calculated as a percentage of the applicable Net Asset Value per Sub-Fund on a daily basis. The other charges detailed in the table below shall be calculated as a percentage of the investment amounts.

Accumulation Classes	"Z"	"X"	"I"	"C"	"D"	"A"
Distribution Classes	"ZD"	"XD"	"ID"	"CD"	"DD"	"AD"
Investment Management Fee:	0.00%	Up to 0.40% p.a.	Up to 0.70% p.a.	Up to 1.00% p.a.	Up to 0.80% p.a.	Up to 1.25% p.a.
Management Company Fee:	Up to 0.25% p.a. subject to the provisions of section 13.1	Up to 0.25% p.a. subject to the provisions of section 13.1	Up to 0.25% p.a. subject to the provisions of section 13.1	Up to 0.25% p.a. subject to the provisions of section 13.1	Up to 0.25% p.a. subject to the provisions of section 13.1	Up to 0.25% p.a. subject to the provisions of section 13.1
Performance Fee:	N/A					
Sales charge	0%	0%	0%	Up to 5.25%	Up to 5.25%	Up to 5.25%
Redemption charge	N/A					
Dilution Levy:	Up to 2%					
Conversion allowed:	Yes					
Switching charge:	Up to 5.25%					

## 8. Business Day/Valuation Day/Net Asset Value calculation

With respect to this Sub-Fund, a Business Day means:

- (i) on which commercial banks are open for the full day for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in Luxembourg, London, Hong Kong and the PRC;
- (ii) (excluding Saturday and Sunday) on which banks and stock exchanges are open for normal business in Hong Kong and the PRC **provided that** where (as a result of a number 8 or higher typhoon signal, black rainstorm warning or other similar event) the period during which banks in Hong Kong and the PRC are open on any day is reduced, such day shall not be a Business Day unless the Directors determine otherwise; and
- (iii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) system 2 (TARGET 2) is open.

The Dealing Day will be any Business Day.

## 9. Subscription

### *a) Subscriptions*

Applications for subscriptions received by the Administration Agent no later than 11:00 a.m. (Luxembourg time) (for this Sub-Fund, the "**Cut-Off time**") on a Business Day will be executed on the basis of the net asset value calculated on the following Valuation Day following the receipt of the applications for subscriptions. Only complete applications received in this timeframe will be executed.

Cleared funds (net of any transfer costs) in the relevant currency in respect of the subscription monies (including any preliminary charge and/or dilution levy) in relation to any Classes of shares must be received by wire transfer by the Administration Agent at the latest on the third (3) Business Day after the relevant Dealing Day.

Submission of Application Forms via local Distributors may be subject to a cut-off time which is different from the Cut-Off time as specified in this Sub-Fund Particulars, provided that the equality of treatment between shareholders is ensured and to the extent no market timing occurs. Subscriptions received by the Distributor(s) before the Cut-Off time of the relevant Dealing Day shall be effected on the same Dealing Day.

### *b) Transmission of Application Forms*

Application Forms corresponding to subscriptions of shares in the Sub-Fund can be transmitted to the Registrar and Transfer Agent by post or by fax (with the original to follow immediately by post) The original Application Form of applicants buying shares for the first time has to be sent without delay to

the Registrar and Transfer Agent by post only.

## **10. Redemption**

Applications for redemptions will be dealt with on each Dealing Day. Applications for redemptions must be received by the Administration Agent not later than the Cut-Off time on the Business Day preceding the relevant Dealing Day. Applications received after that time will be processed on the next Dealing Day.

The Redemption Price shall be equal to the Net Asset Value per share of the Sub-Fund on the relevant Dealing Day, less any redemption fee and/or dilution levy payable to the Distributor(s) if applicable.

Payment of redemption proceeds will be made within maximum five (5) Business Days from the relevant Dealing Day.

Submission of redemption requests via local distributors may be subject to a cut-off time which is different from the Cut-Off time as specified in this section, provided that the equality of treatment between shareholders is ensured and to the extent no market timing occurs. Redemption requests received by the distributor(s) before the Cut-Off time of the relevant Dealing Day shall be effected on the same Dealing Day.

## **11. Conversions**

Any shareholder may request conversions of their shares from one Class to another Class of the same Sub-Fund or to shares of a Class of another Sub-Fund.

Applications must be received by the Registrar and Transfer Agent no later than the Cut-Off time on the Business Day preceding the relevant Dealing Day in both applicable Sub-Funds/Classes. Any applications received after the application deadline will be processed in respect of the next Business Day.

A switching charge may be applied in accordance as specified in the table of Section 7 "Fees and expenses" above, in which case it will be paid to the relevant Sub-Distributor. Conversions may also be subject to a dilution levy.

## **12. Dividends**

At the date of this Prospectus, the Sub-Fund issues Accumulation Shares as well as Distributing Shares.

The amount of any dividend paid shall be in the discretion of the Board of Directors.

At the discretion of the Directors, it is intended that dividends will be declared on or about the penultimate Dealing Day of each March, June, September and December (each such Dealing Day, a "**Dividend Declaration Day**").

Dividends declared on a Dividend Declaration Day will be paid to shareholders in the Distribution Classes who are registered in the Register on such Dividend Declaration Day. Dividends declared on a Dividend Declaration Day will be paid up to 6 Business Days following such Dividend Declaration Day.

Any shareholder in a Distribution Class may elect to reinvest dividends in respect of such Class in additional shares of such Class and such election will remain effective until it is withdrawn. The number of additional shares received by a relevant shareholder upon the reinvestment of the dividends declared on a Dividend Declaration Day will be the amount of the cash dividends that he would otherwise have received divided by the Net Asset Value on such Dividend Declaration Day, rounded down to three decimal places. Such additional shares will be issued up to five (5) Business Days following such Dividend Declaration Day. Any remaining cash amount of such dividends not so reinvested will be paid up to five (5) Business Days following such Dividend Declaration Day.

Any Shareholder wishing to withdraw such election should give written notification of such withdrawal to the Administrator no later than ten (10) Business Days before the first Dividend Declaration Day from which such withdrawal is to be effective, and all dividends declared from (and including) such Dividend Declaration Day will not be so reinvested in additional Shares.

### **13. Minimum Sub-Fund size**

RMB 750 million (or the equivalent in such other relevant currency) or such other amount as the Board of Directors may determine from time to time in its sole and absolute discretion.

### **14. Historical Performance**

Information on the historical performance of the Sub-Fund is disclosed in the relevant Key Investor Information Document.

### **15. Risk Warnings**

Investors are advised to carefully consider the risks of investing in the Sub-Fund.

For a complete description of all the risks for the Sub-Fund that the Company is aware of, please refer to the section "**Risk Consideration**" in the General Part of the Prospectus.

In addition thereto, the following additional risk factors should be taken into consideration:

#### ***Risk of Losses***

The price of shares can go up as well as down and investors may not realise their initial investment. Investors should be aware that the value of securities and instruments in which the Sub-Fund invests and the return derived from them can fluctuate. The Sub-Fund invests in and actively trades securities and instruments utilising strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the income derived from the relevant securities and

instruments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as actions by various government agencies and domestic or international economic and political developments, may cause sharp market fluctuations, which could significantly and adversely affect the value of the Sub-Fund's investments.

The investments and the positions held by the Sub-Fund are subject to principally to interest rate risk, credit risk and downgrade risk.

### **Renminbi related risks**

RMB is currently not a freely convertible currency as it is subject to foreign exchange control and fiscal policies of and repatriation restrictions imposed by the Chinese government. There are currently no repatriation limits that affect the Sub-Fund. If such policies change in future, the Sub-Fund's or the shareholders' position may be adversely affected. There is no assurance that RMB will not be subject to devaluation, in which case the value of their investments will be adversely affected. If investors wish or intend to convert the redemption proceeds or dividends paid by the Sub-Fund or sale proceeds into a different currency, they are subject to the relevant foreign exchange risk and may suffer losses from such conversion as well as associated fees and charges.

### **Onshore versus offshore Renminbi differences risk**

While both onshore Renminbi ("CNY") and offshore Renminbi ("CNH") are the same currency, they are traded in different and separated markets. CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there has been a growing amount of Renminbi held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. Investors should note that:

- (i) subscriptions and redemptions of shares may be converted to/from CNH and the investors will bear the forex expenses associated with such conversion and the risk of a potential difference between the CNY and CNH rates; and
- (ii) the liquidity and trading price of the Sub-Fund may also be adversely affected by the rate and liquidity of Renminbi outside the PRC.

### **Risks Relating to the Investment Policy**

#### ***Risks associated with non-investment grade debt instruments***

To the extent the Sub-Fund invests in Sub-Investment Grade Debt Securities or non-rated Debt Securities, the Sub-Fund may realise a higher current yield than the yield offered by higher-rated securities, but such investments are also associated with greater risks because of generally reduced credit worthiness and liquidity, greater price volatility, greater risk of loss of income and principal including the chance of default by or bankruptcy of the issuers of such securities.

### ***Risks associated with convertible bonds***

The Sub-Fund's investments in Debt Instruments may from time to time include convertible bonds. Convertible bonds combine the opportunities and risks of equities and fixed-income securities. Accordingly, potential investors are referred in particular to the notes on Interest Rate Fluctuations and Investment in Equity Securities set out in Section 16.5 "*Risks relating to a Sub-Fund's Assets*".

Since prices of convertible bonds depend in part on those of the underlying shares, the price risk is generally higher than that of bonds without conversion options. Furthermore, prices of convertible bonds are also influenced by the general interest rate environment. If a convertible bond is issued in a currency other than that of the underlying share, the corresponding exchange rate risk must also be taken into account. Upon conversion of a convertible bond, the Sub-Fund may from time to time have a direct exposure to the underlying equity instrument.

### ***Limited Pool of Investments***

The Sub-Fund's investment strategy includes investing in RMB fixed income instruments issued in the Offshore Market. However, the quantity of RMB fixed income instruments issued or distributed outside the PRC that may be available to the Sub-Fund is currently limited, and the remaining duration of such instruments may be short. In the absence of available RMB fixed income instruments, or when such instruments held are at maturity, the Sub-Fund may have to allocate a significant portion of its portfolio to other investments. This may adversely affect the Sub-Fund's return and performance.

### **Risks relating to the RQFII regime**

Introduction. Under current regulations in Mainland China, generally foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the China Securities Regulatory Commission ("CSRC") for the purpose of investing in the Mainland China 's domestic securities markets.

The RQFII regime was introduced on 16 December 2011 by the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors which are Asset Management Companies or Securities Companies" issued by the CSRC, the People's Bank of China ("PBOC") and the SAFE, which was repealed effective on 1 March 2013.

The RQFII regime is currently governed by (a) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013; (b) the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC and effective from 1 March 2013; (c) the "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by SAFE and effective from 11 March 2013; (d) the "Notice of the People's Bank of China on the Relevant Matters concerning the Implementation of the Pilot Scheme for Domestic Securities Investment Made through Renminbi Qualified Foreign Institutional Investors", issued by

the PBOC and effective from 2 May 2013; and (e) any other applicable regulations promulgated by the relevant authorities (collectively, the "**RQFII Regulations**").

As part of the Chinese government's policy to further open up China's financial markets, the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) have issued the Regulations on Funds of Securities and Futures Investment by Foreign Institutional Investors (PBOC & SAFE Announcement(2020) No. 2 removing the restrictions on investment quota of QFII and RQFII.

The Investment Manager has obtained RQFII status in Mainland China pursuant to RQFII Regulation.

RQFII risk. The Sub-Fund is not a RQFII but may obtain access to RQFII permissible investments. The Sub-Fund may invest directly in RQFII eligible securities investment via the RQFII status of the Investment Manager.

Investors should note that the RQFII status could be suspended or revoked in the case of the Investment Manager's insolvency or breach of the RQFII Measures (as defined below), which may have an adverse effect on the Sub-Fund's performance as the Sub-Fund may be required to dispose of its securities holdings. In addition, restrictions may be imposed by the Chinese government on RQFIIs that may have an adverse effect on the Sub-Fund's liquidity and performance.

SAFE regulates and monitors the repatriation of funds out of Mainland China by the RQFII pursuant to its "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (the "**RQFII Measures**"). Repatriations by RQFIIs in respect of an open-ended RQFII fund (such as the Sub-Fund) conducted in RMB are currently permitted daily and are not subject to repatriation restrictions or prior approval from the SAFE, although authenticity and compliance reviews will be conducted by the Custodian, and monthly reports on remittances and repatriations will be submitted to SAFE by the PRC Custodian. There is no assurance, however, that Mainland China rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the Mainland China rules and regulations may take effect retrospectively. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the shareholders. Furthermore, as the PRC Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the PRC Custodian in case of noncompliance with the RQFII Regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming shareholder as soon as practicable, and within 3 Business Days, and after the completion of the repatriation of funds concerned.

Application of RQFII rules. The RQFII Regulations described above are in the early stages of its operation and there may be uncertainties as to its operation and development. The application of the rules may depend on the interpretation given by the relevant Chinese authorities. The Chinese authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-

Fund. In the worst scenario, subject to the provisions contained in the Articles of Incorporation and this Prospectus, the Board of Directors may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

RQFII systems risk. The current RQFII Regulations include rules on investment restrictions applicable to the Sub-Fund. Investments RQFII Eligible Securities are generally subject to compliance with the following investment and market access restrictions:

- (i) each RQFII's investment in one listed company should not exceed 10% of the total outstanding shares of that company; and
- (ii) the total shares held by all RQFIIs in the RQFII Eligible Securities of one listed company should not exceed 30% of the total outstanding shares of that company.

In the event of any default of the PRC Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in Mainland China, the Sub-Fund may encounter delays in recovering its assets which may in turn impact the Net Asset Value of the Sub-Fund.

Custodial risk. The PRC Custodian shall hold the Sub-Fund's assets in custody in accordance with a PRC custody agreement. The assets held/credited in the securities account(s) are segregated and independent from the proprietary assets of the PRC Custodian. Although the Company/PRC Custodian has obtained a satisfactory legal opinion that the assets in such securities accounts would belong to the Sub-Fund, such opinion cannot be relied on as being conclusive, as the RQFII Regulations are subject to the interpretation of the relevant authorities in Mainland China.

However, investors should note that, under PRC law, cash deposited in the cash account(s) of the Sub-Fund with the PRC Custodian (which is/are maintained in the joint names of the Investment Manager (as the RQFII holder) and the Sub-Fund (as a sub-fund of the Company)) will not be segregated but will be a debt owing from the PRC Custodian to the Sub-Fund as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the PRC Custodian. In the event of bankruptcy or liquidation of the PRC Custodian, the Sub-Fund will not have any proprietary rights to the cash deposited in such cash account(s), and the Sub-Fund will become an unsecured creditor, ranking *pari passu* with all other unsecured creditors, of the PRC Custodian. Whilst the opinion from PRC legal counsel indicates the legal position based on understanding of current PRC laws, such opinion may not be conclusive; and ultimately the interpretation and operation of the relevant PRC laws and regulations depend on the judicial and/or regulatory authorities of Mainland China.

The Sub-Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Sub-Fund will suffer.

Mainland China brokerage risk. The execution of transactions may be conducted by Mainland China broker(s) appointed by the Investment Manager ("Mainland China Broker(s)"). The Investment Manager, as RQFII holder, in the selection of Mainland China Brokers, will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland China Brokers. In such event, the Sub-Fund may be adversely affected in the execution of any transaction. As a result, the Net Asset Value of the Sub-Fund may also be adversely affected.

### **Risks relating to the China Interbank Bond Market (the "CIBM")**

The CIBM is an OTC market established in 1997. Currently, more than 95% of CNY bond trading activity takes place in the CIBM, and the main products traded in this market include government bonds, central bank papers, policy bank bonds and corporate bonds.

The CIBM is in a stage of development and the market capitalisation and trading volume may be lower than those of the more developed markets. Market volatility and potential lack of liquidity due to low trading volume may result in prices of debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks and may suffer losses in trading Mainland China bonds. The bid and offer spreads of the prices of the Mainland China bonds may be large, and the relevant Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Sub-Fund transacts in the CIBM in Mainland China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

The CIBM is also subject to regulatory risks. Due to irregularities in the CIBM trading activities, the China Government Securities Depository Trust & Clearing Co. (the central clearing entity) suspended new account opening on the CIBM for specific types of products. Although investment funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the Sub-Fund's ability to invest in the CIBM will be limited and it may suffer substantial losses as a result.

### **PRC Taxation Risk**

The Sub-Fund may be subject to withholding income tax ("WIT") and other taxes imposed in Mainland China.

Mainland China Corporate Income Tax ("CIT"):

If the Sub-Fund is considered as a tax resident enterprise of Mainland China, it will be subject to CIT at 25% on its worldwide taxable income. If the Sub-Fund is considered as a non-tax resident enterprise with an establishment or place of business ("PE") in Mainland China, the Mainland China sourced profits attributable to that PE would be subject to CIT at 25%.

Under the PRC CIT Law effective from 1 January 2008, a foreign enterprise without a PE in Mainland China will generally be subject to a WIT at the current rate of 10% on its Mainland China sourced income, including but not limited to passive income (e.g. dividends, interest, gains arising from transfer of assets etc.).

The Investment Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of Mainland China or a non-tax resident enterprise with a PE in Mainland China for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Sub-Fund should not be subject to CIT on an assessment basis and would only be subject to WIT to the extent the Sub-Fund directly derives Mainland China sourced income in respect of its investment in the Mainland China debt securities.

Under current regulations in Mainland China, foreign investors (such as the Sub-Fund) may invest in bonds issued within mainland China only through a QFII or a RQFII. In this regard, any Mainland China tax assessed under Mainland China tax laws would likely be charged directly against the QFII or the RQFII. Such tax charges would likely be recharged to, and borne by, the Sub-Fund under contractual agreement(s) with the RQFII. As such, the Sub-Fund is the ultimate party which bears the risks relating to any Mainland China taxes which are so levied by the relevant Mainland China tax authority.

(i) Interest

Unless a specific exemption is applicable, non- Mainland China tax residents, including the Sub-Fund are subject to WIT on the payment of interests on debt instruments issued by Mainland China tax residents, including bonds issued by enterprises established within China. The general WIT rate applicable is 10%, subject to reduction under an applicable double tax treaty.

Interest derived from government bonds issued by the in-charge Finance Bureau of the State Council is exempt from CIT under the PRC CIT Law.

(ii) Capital gain

Under current Mainland China tax law, there are no specific rules or regulations governing the taxation of RQFII (including gains realized by a RQFII on the disposal of debt instruments issued by Mainland China tax residents). The tax treatment for a RQFII investing in debt instruments issued by Mainland China tax residents is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, a RQFII would be subject to 10% WIT on the Mainland China -sourced capital gains, unless exempt or reduced under relevant double tax treaties (if any).

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in Mainland China will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of the Sub-Fund. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in Mainland China which the Sub-Fund invests in, thereby reducing the income from, and/or value of the shares.

In light of the uncertainty on the income tax treatment on capital gains arising from disposal of Mainland China debt instruments and in order to meet this potential tax liability for capital gains, the Investment Manager currently intends to make provisions from the Sub-Fund's asset for any WIT payable by the Sub-Fund at a rate of 10% on the gross realised capital gains derived from the disposal of Mainland China debt instruments since the launch of the Sub-Fund. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. The amount of any such tax provision will be disclosed in the accounts of the Sub-Fund.

It should be noted that the actual applicable tax rates imposed by the State Administration of Taxation of The People's Republic of China ("SAT") may be different and may change from time to time. There is a possibility of the rules being changed and the taxes being applied retrospectively. As such, any provision for taxation made by the Investment Manager may be excessive or otherwise inadequate to meet actual Mainland China tax liabilities on gains derived from Mainland China securities held by the Sub-Fund. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such capital gains will be taxed, the level of provision and when they subscribed and/or redeemed in/from the Sub-Fund.

If the actual applicable tax rate levied by SAT is higher than that provided for by the Investment Manager so that there is a shortfall in the tax provision amount, investors should note that the net asset value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new investors will be disadvantaged. On the other hand, if the actual applicable tax rate levied by SAT is lower than that provided for by the Investment Manager so that there is an excess in the tax provision amount, investors who have redeemed the shares before any SAT ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Investment Manager's overprovision. In this case, the then existing and new investors may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, investors who have already redeemed their shares in the Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

### ***Emerging Markets Risk***

Investors should note that investing in emerging markets such as the PRC carries a greater degree of risk and the attention of investors is drawn to the specific risk factors set out below.

(i) The value of the Sub-Fund's assets invested in emerging markets such as the PRC may be affected by uncertainties such as political developments, changes in government policies, taxation, currency repatriation restrictions and restrictions on foreign investment.

(ii) It may not be possible for the Sub-Fund to repatriate capital, dividends, interest and income from emerging markets such as the PRC, or it may require government consents to do so. The Sub-Fund

could be adversely affected by the introduction of, or delays in, or refusal to grant any such consent for the repatriation of funds or by any official intervention affecting the process of settlement of transactions.

### ***Economic, Political and Other Risks in the PRC***

The overall economic conditions in the PRC may have a significant impact on the Sub-Fund's financial performance. Economic developments in the PRC follow patterns different from those in Hong Kong and other developed countries as a result of differences in various economic aspects including economic structure, living standards, growth rate, level of government intervention in the economy, allocation of resources and the rate of inflation. Further, the interpretation or application of current laws or regulations in the PRC may have adverse effects on the Sub-Fund's investments. The level of liquidity in the RMB-denominated financial market in the PRC is low. This may lead to severe price volatility.

Investing in the PRC market is also subject to the risks of investing in emerging markets generally and the risks specific to the PRC market.

Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the PRC economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Any significant change in PRC's political, social or economic policies may have a negative impact on investments in the PRC market.

The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. PRC accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the PRC securities markets may not be well tested and may be subject to increased risks of error or inefficiency.

Investment in RMB-denominated bonds may be made in or outside the PRC. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

The PRC government's control of currency conversion and movements in the RMB exchange rates may adversely affect the operations and financial results of companies in the PRC. Insofar as the Sub-Fund's assets are invested in the PRC, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the Sub-Fund to satisfy payments to investors.

## **Tax Considerations**

### ***Business Tax***

Interest and capital gains on RMB-denominated corporate and non-government bonds issued by PRC companies may be subject to business tax at a rate of currently 5% in the PRC, unless there is an applicable exemption.

In addition to business tax, interest and capital gains on RMB-denominated corporate and non-government bonds are also subject to urban maintenance and construction tax (currently ranging from 1% to 7%), education surcharge of 3% (current) and local education surcharge of 2% (current), calculated based on the business tax liabilities, with effect from 1 December 2010.

The Company on behalf of the Sub-Fund may, in its discretion from time to time, establish a reserve for potential tax liabilities if in their opinion, such a reserve is warranted. Any such reserve would have the effect of reducing the Net Asset Value per Share by the pro rata amount of estimated tax liability. In the event that the Sub-Fund is required to make payment reflecting tax liabilities for which no reserves have been made, the Net Asset Value per Share may decrease substantially, without notice, by the pro rata amount of the unreserved tax exposure. There is no guarantee that the amount reserved will be enough to cover any such tax liabilities. In that event, the Sub-Fund may have to liquidate a portion of its portfolio to pay taxes, and the Sub-Fund's returns would therefore be lower than anticipated.

### ***Specific Counterparty Risk***

The Sub-Fund may seek exposure to certain investments offered on the Onshore Market and consequently will have exposure to the risk of default by certain qualifying foreign institutions (known as "QFIIs") that are approved to directly invest in such instruments.

### ***Exposure to QFIIs***

Under the prevailing rules and regulations in the PRC, only certain qualifying foreign institutions that have been approved as QFIIs may invest directly in China A shares, government bonds, listed corporate and convertible bonds, securities, investment funds, listed warrants and other permitted financial instruments (collectively referred to in this sub-section as "**Chinese Securities**" or "**onshore instruments**"). However, under the prevailing rules and regulations, stringent qualification requirements have been set and only large scale international financial institutions may qualify to become QFIIs. QFIIs must have substantial paid-up capital and/or substantial assets under their management.

The Sub-Fund will not satisfy the criteria to qualify as a QFII itself and therefore it may invest indirectly in Chinese Securities via access-products such as credit-linked notes, participating certificates, participatory notes, swaps and other similar instruments, issued by the QFIIs.

The Sub-Fund's ability to invest and the exposure of the Sub-Fund to onshore instruments via access-

products may be adversely affected by restrictions to which the QFII is subject. A QFII's conduct of trading activities is from time to time subject to risk of suspension by the relevant PRC authorities. QFIIs are subject to investments limits and restrictions, and the breach of certain limits will result in a QFII being required to sell down its holding to meet the relevant limits which may in turn affect the investments of the Sub-Fund.

### ***Risk of alternative methods of Investment***

Subject to the 2010 Law and Directive 2009/65/EC, the Sub-Fund may at any time use any additional and/or alternative methods, channels, formats or instruments deemed appropriate by the Investment Manager to access the Onshore and Offshore Markets in bonds, either directly or indirectly, so as to take advantage of any opportunities that arise and/or to comply with any changes to any applicable laws and regulations. The use of such methods, channels, formats or instruments may result in the investments of the Sub-Fund being exposed to additional or new risks that are not currently envisaged nor set out herein. In particular, but without limitation to the foregoing, investors should note that there may be risks associated with the interpretation of and/or compliance with new laws and regulations.

### **Risks associated with high yield debt instruments**

The Sub-Fund may invest in high yield fixed-income securities which carry higher credit risk (default risk and downgrade risk), liquidity risk and market risk than a sub-fund that invests in investment grade fixed-income securities.

High yield fixed income securities includes sub-investment grade (i.e. non-investment grade) and higher yielding fixed income securities rated investment grade but which are of comparable credit quality to sub-investment grade rated securities. Credit risk is greater for investments in high yield fixed-income securities than for investment grade securities. It is more likely that income or capital payments may not be made when due. Thus the risk of default is greater. The amounts that may be recovered after any default may be smaller or zero and the Sub-Fund may incur additional expenses if it tries to recover its losses through bankruptcy or other similar proceedings.

Adverse economic events may have a greater impact on the prices of high yield fixed-income securities. Investors should therefore be prepared for greater volatility than for investment grade fixed-income securities, with an increased risk of capital loss, but with the potential of higher returns.

The market liquidity for high yield securities can be low and there may be circumstances in which there is no liquidity for these securities, making it more difficult to value and/or sell these securities.

### ***Early Termination of the Sub-Fund***

The Sub-Fund may be terminated by the Directors in accordance with the terms of this Prospectus and the Articles of Incorporation. In the event of the termination of the Sub-Fund, shareholders may not receive the full amount they have invested, depending on the actual realisation prices of investments and realisation expenses. Please refer to Section 23.2 "Liquidation, merger, split or consolidation of

Sub-Fund(s)/Classes" of this Prospectus.

**This list of additional risk factors is not intended to be exhaustive. Prospective investors should seek such advice as they consider necessary from their professional advisors, investment, legal, tax or otherwise.**

### **Contingent Convertible Securities (CoCos)**

The Sub-Fund may invest in contingent securities structured as contingent convertible securities also known as CoCos.

Contingent convertible securities are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible securities can be converted into shares of the issuing company, potentially at a discounted price, or the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible securities are risky and highly complex instruments. Coupon payments on contingent convertible securities are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible securities are also subject to additional risks specific to their structure including:

#### ► Trigger Level Risk

Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Investment Manager of the Sub-Fund invested in contingent convertible securities to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/ Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible securities into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

#### ► Coupon Cancellation

Coupon payments on some contingent convertible securities are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event

there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible securities may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

▶ Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in contingent convertible securities may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/ write down of a contingent convertible security is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

▶ Call Extension Risk

Some contingent convertible securities are issued as perpetual instruments and only callable at pre-determined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible securities will be called on a call date. Contingent convertible securities are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

▶ Conversion Risk

Trigger levels differ between specific contingent convertible securities and determine exposure to conversion risk. It might be difficult at times for the Investment Manager of the Sub-Fund to assess how the contingent convertible securities will behave upon conversion. In case of conversion into equity, the Investment Manager might be forced to sell these new equity shares since the investment policy of the Sub-Fund may not allow the holding of equity securities. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

▶ Valuation and Write-Down Risk

Contingent convertible securities often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible securities may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

▶ Market Value Fluctuations Due to Unpredictable Factors

The value of contingent convertible securities is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible securities; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

► Liquidity Risk

In certain circumstances finding a buyer ready to invest in contingent convertible securities may be difficult and the seller may have to accept a significant discount to the expected value of the bond in order to sell it.

► Sector Concentration Risk

Contingent convertible securities are issued by banking and insurance institutions. The performance of the Sub-Fund which invests significantly in contingent convertible securities will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

► Subordinated Instruments

Contingent convertible securities will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible securities, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible securities shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

► Unknown Risk

The structure of contingent convertible securities is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

## APPENDICES

### Appendix 1 General Investment Restrictions

The Company or where a UCITS comprises more than one compartment, each such Sub-Fund or compartment shall be regarded as a separate UCITS for the purposes of this Appendix. The Directors shall, based upon the principle of spreading of risks, have power to determine the investment policy for the investments of the Company in respect of each Sub-Fund and the currency of denomination of a Sub-Fund subject to the following restrictions:

- I. (1) The Company may invest in:
- a) Transferable Securities and Money Market Instruments admitted to or dealt in on a Regulated Market;
  - b) Transferable Securities and Money Market Instruments dealt in on another market in a Member State of the European Union which is regulated, operates regularly and open to the public;
  - c) Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange in a non-Member State of the European Union or dealt in on another market in a non-Member State of the European Union which is regulated, operates regularly and is recognised and open to the public provided that the choice of the stock exchange or market has been provided for in the constitutional documents of the UCITS;
  - d) recently issued Transferable Securities and Money Market Instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market and such admission is secured within a year of the issue;
  - e) units of UCITS and/or Other UCI, whether situated in an EU Member State or not, provided that:
    - such Other UCIs have been authorised under the laws which provide that they are subject to supervision considered by the Luxembourg supervisory authority to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured;
    - the level of protection for unitholders in such Other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of Directive 2009/65/EC, as amended;

- the business of such Other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;
  - no more than 10% of the assets of the UCITS or of the Other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or Other UCIs;
- f) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is an EU Member State or if the registered office of the credit institution is situated in a non-EU Member State provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in Community law;
- g) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
- the underlying consists of instruments covered by this section (1), financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Fund(s) may invest according to its/their investment objective;
  - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority;
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative;

and/or

- h) Money Market Instruments other than those dealt in on a Regulated Market and defined in the Glossary, if the issuer or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
- issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong;
- or

- issued by an undertaking any securities of which are dealt in on Regulated Markets;
- issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by the Community law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg supervisory authority to be at least as stringent as those laid down by Community law; or
- issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least ten million euro (EUR 10,000,000) and which presents and publishes its annual accounts in accordance with the fourth Directive 78/660/EEC<sup>1</sup>, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

(2) In addition, the Company may invest a maximum of 10% of the net assets of any Sub-Fund in Transferable Securities and Money Market Instruments other than those referred to under (1) above.

II. The Company may hold ancillary liquid assets.

III. a) (i) The Company will invest no more than 10% of the net assets of any Sub-Fund in Transferable Securities and Money Market Instruments issued by the same issuing body.

(ii) The Company may not invest more than 20% of the total net assets of such Sub-Fund in deposits made with the same body. The risk exposure of a Sub-Fund to a counterparty in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. (1) f) above or 5% of its net assets in other cases.

b) Moreover where the Company holds on behalf of a Sub-Fund investment in Transferable Securities and Money Market Instruments of any issuing body which individually exceed 5% of the net assets of such Sub-Fund, the total of all such investments must not account

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<sup>1</sup> Repealed by Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements and related reports of certain types of undertakings.

for more than 40% of the total net assets of such Sub-Fund.

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph III. a), the Company shall not combine, where this would lead to investing more than 20% of its assets in a single body, any of the following for each Sub-Fund:

- investments in Transferable Securities or Money Market Instruments issued by that body,
  - deposits made with that body, or
  - exposures arising from OTC derivative transactions undertaken with that body.
- c) The limit of 10% laid down in sub-paragraph III. a) (i) above will be increased to a maximum of 35% in respect of Transferable Securities or Money Market Instruments which are issued or guaranteed by an EU Member State, its local authorities, or by another Eligible State or by public international bodies of which one or more EU Member States are members.
- d) The limit of 10% laid down in sub-paragraph III. a) (i) may be of a maximum of 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State of the EU and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest. If a Sub-Fund invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the net asset value of the Sub-Fund.
- e) The Transferable Securities and Money Market Instruments referred to in paragraphs III. c) and III.d) shall not be included in the calculation of the limit of 40% stated in paragraph III. b) above.

The limits set out in sub-paragraphs a), b) c) and d) may not be aggregated and, accordingly, investments in Transferable Securities and Money Market Instruments issued by the same issuing body, in deposits or in financial derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any Sub-Fund's net assets.

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in

accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph III.

The Company may cumulatively invest up to 20% of the net assets of a Sub-Fund in Transferable Securities and Money Market Instruments within the same group.

- f) **Notwithstanding the above provisions, the Company is authorised to invest up to 100% of the net assets of any Sub-Fund, in accordance with the principle of risk spreading, in Transferable Securities and Money Market Instruments issued or guaranteed by a Member State of the EU, by its local authorities or agencies, or by another member state of the OECD, Singapore or any member state of the G20 or by public international bodies of which one or more Member States of the EU are members, provided that such Sub-Fund must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the total net assets of such Sub-Fund.**

- IV. a) Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. are raised to a maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of a Sub-Fund is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant Sub-Fund's investment policy.
- b) The limit laid down in paragraph a) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on Regulated Markets where certain Transferable Securities or Money Market Instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.
- V. The Company may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.

Each sub-fund may acquire no more than:

- 10% of the non-voting shares of the same issuer;
- 10% of the debt securities of the same issuer;
- 10% of the Money Market Instruments of the same issuer.

The limits under the second and third indents may be disregarded at the time of acquisition, if at that time the gross amount of debt securities or of the Money Market Instruments or the net amount of the instruments in issue cannot be calculated.

The provisions of paragraph V. shall not be applicable to Transferable Securities and Money

Market Instruments issued or guaranteed by a Member State of the EU or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more Member States of the EU are members.

These provisions are also waived as regards shares held by the Company in the capital of a company incorporated in a non-Member State of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that state, where under the legislation of that state, such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that state provided that the investment policy of the company from the non-Member State of the EU complies with the limits laid down in paragraphs III., V. and VI. a), b), c) and d).

- VI. a) The Company may acquire units of the UCITS and/or Other UCIs referred to in paragraph I. (1) e), provided that no more than 10% of a Sub-Fund's net assets be invested in the units of other UCITS or Other UCI, unless otherwise provided in the Sub-Fund Particular in relation to a given Sub-Fund.

In case a Sub-Fund may invest more than 10% in UCITS or Other UCIs, such Sub-Fund may not invest more than 20% of its net assets in units of a single UCITS or Other UCI.

For the purpose of the application of the investment limit, each compartment of a UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.

Investments made in units of Other UCIs may not, in aggregate, exceed 30% of the net assets of such Sub-Fund.

- b) The underlying investments held by the UCITS or Other UCIs in which the Company invests do not have to be considered for the purpose of the investment restrictions set forth under III. above.
- c) When the Company invests in the units of other UCITS and/or Other UCIs linked to the Company by common management or control, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or Other UCIs.

In respect of a Sub-Fund's investments in UCITS and Other UCIs linked to the Company as described in the preceding paragraph, the total management fee (excluding any performance fee, if any) charged to such Sub-Fund itself and the other UCITS and/or Other UCIs concerned shall not exceed 3.5% of the relevant assets. The Company will indicate in its annual report the total management fees charged both to the relevant Sub-Fund and to the UCITS and Other UCIs in which such Sub-Fund has invested during the relevant period.

- d) Each sub-fund may acquire no more than 25% of the units of the same UCITS and/or Other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated.

VII. In compliance with the applicable laws and regulations any Sub-Fund of the Company (hereinafter referred to as a "Feeder Sub-Fund") may be authorised to invest at least 85% of its assets in the units of another UCITS or portfolio thereof (the "Master UCITS"). A Feeder Sub-Fund may hold up to 15% of its assets in one or more of the following:

- ancillary liquid assets in accordance with II above;
- financial derivative instruments, which may be used only for hedging purposes;
- movable and immovable property which is essential for the direct pursuit of its business.

For the purposes of compliance with article 42 (3) of the 2010 Law, the Feeder Sub-Fund shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under the second indent of the first sub-paragraph with either:

- the Master UCITS actual exposure to financial derivative instruments in proportion to the Feeder Sub-Fund investment into the Master UCITS; or
- the Master UCITS potential maximum global exposure to financial derivative instruments provided for in the Master UCITS management regulations or instruments of incorporation in proportion to the Feeder Sub-Fund investment into the Master UCITS.

A Sub-Fund of the Company may in addition and to the full extent permitted by applicable laws and regulations but in compliance with the conditions set-forth by applicable laws and regulations, be launched or converted into a Master UCITS in the meaning of Article 77(3) of the 2010 Law.

VIII. A Sub-Fund (the "Investing Sub-Fund") may subscribe, acquire and/or hold securities to be issued or issued by one or more Sub-Fund of the Company (each a "Target Sub-Fund") without the Company being subject to the requirements of the 1915 Law with respect to the subscription, acquisition and/or the holding by a company of its own shares; under the condition however that:

- unless otherwise provided in the Sub-Fund Particular, the Target Sub-Fund(s) do(es) not, in turn, invest in the Investing Sub-Fund invested in this (these) Target Sub-Fund (s); and
- the investment policy(ies) of the Target Sub-Fund(s) whose acquisition is contemplated does not allow such Target Sub-Fund(s) to invest more than 10% of its(their) net asset value in UCITS and UCIs; and
- voting rights, if any, attaching to the shares of the Target Sub-Fund(s) held

by the Investing Sub-Fund are suspended for as long as they are held by the Investing Sub-Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and

- in any event, for as long as these securities are held by the Investing Sub-Fund, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the 2010 Law.

- IX. The Company shall ensure for each Sub-Fund that the global exposure relating to financial derivative instruments does not exceed the total net assets of the relevant Sub-Fund.

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

When a Sub-Fund invests in total return swaps or other derivative instruments with similar characteristics, the underlying assets and investment strategies to which exposure will be gained will at any time comply with CSSF Circular 14/592 relating to ESMA's Guidelines on ETFs and other UCITS issues (CSSF Circular 14/592) and are described in the relevant Sub-Fund's investment objective and policy in the Sub-fund Particulars.

The Company on behalf of the Sub-Fund may only choose swap counterparties that are first class financial institutions with at least an "A" or equivalent credit rating and that are subject to prudential supervision and belonging to the categories approved by the CSSF for the purpose of OTC derivative transactions and specialised in these types of transactions. Counterparty approval is not required in relation to any investment decisions made by a Sub-Fund.

If the Company invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in restriction III. When the Company invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in restriction III. The rebalancing frequency of the underlying index of each derivative instrument is determined by the index provider and there will be no cost to the Sub-Fund when the index itself rebalances.

When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this restriction.

- X.
- a) The Company may not borrow for the account of any Sub-Fund amounts in excess of 10% of the total net assets of that Sub-Fund, any such borrowings to be from banks and to be effected only as a temporary basis provided that the purchase of foreign currencies by way of back to back loans remains possible;
  - b) The Company may not grant loans to or act as guarantor on behalf of third parties.

This restriction shall not prevent the Company from (i) acquiring Transferable Securities, Money Market Instruments or other financial instruments referred to in I. (1) e), g) and h) which are not fully paid, and (ii) performing permitted securities lending activities that shall not be deemed to constitute the making of a loan.

- c) The Company may not carry out uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments.
- d) The Company may not acquire movable or immovable property.
- e) The Company may not acquire either precious metals or certificates representing them.
- f) The Company may not directly invest in any "securitisation" or "securitisation position" within the meaning of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitization, unless it is otherwise provided for in the relevant Sub-Fund Particular.

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

The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in which the shares are marketed.

During the first six months following its launch, a new Sub-Fund may derogate from restrictions III., IV. and VI. a), b) and c) while ensuring observance of the principle of risk spreading.

- XII. Use of techniques and instruments relating to transferable securities and money market instruments

Sub-Funds must comply with the requirements of ESMA Guidelines 2014/937 adopted by ESMA concerning ETFs and other UCITS issues as also specified within CSSF Circular 14/592 amending and/or supplementing the existing rules governing OTC derivative instruments, efficient portfolio management techniques and the management of collateral received in the context of such instruments and techniques.

#### A. General

Subject to the foregoing, the Company does not currently enter into securities financing transactions or total return swaps within the meaning of EU Regulation 2015/2365 on transparency of securities financing transactions and of reuse ("SFTR"). Should the Company decide to make use of such instruments the Prospectus will be updated in conformity with

## SFTR.

The Company may employ the following techniques and instruments related to Transferable Securities and money market instruments provided that such techniques or instruments are considered by the Board of Directors as economically appropriate to the efficient portfolio management of the Company in accordance with the investment objectives of each Sub-Fund, with respect to Article 9 of the Grand-Ducal decree of 8th February 2008, and in accordance with Circular CSSF 14/592 relating to the rules applicable to undertakings for collective investments when they use efficient portfolio management techniques and instruments ("**CSSF Circular 14/592**").

Under no circumstances shall these operations cause a Sub-Fund to diverge from its investment objectives as laid down in this Prospectus or result in additional risk higher than its risk profile as described in the Sub-fund specific text in this Prospectus. Such techniques and instruments may be used by any Sub- Fund for the purpose of generating additional capital or income or for reducing costs or risk, to the extent permitted by and within the limits set forth in (i) article 11 of the Grand Ducal regulation of 8 February 2008 relating to certain definitions of the Luxembourg Law, (ii) CSSF Circular 08/356 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, (iii) CSSF Circular 14/592 and (iv) any other applicable laws and regulations.

The risk exposure to a counterparty generated through efficient portfolio management techniques and OTC financial derivatives must be combined when calculating counterparty risk limits referred to in restriction III. above.

All revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs and fees, will be returned to the Sub- Fund concerned.

In particular, fees and cost may be paid to agents of the Company and other intermediaries providing services in connection with efficient portfolio management techniques as normal compensation of their services. Such fees may be calculated as a percentage of gross revenues earned by the Sub-Fund through the use of such techniques. Information on direct and indirect operational costs and fees that may be incurred in this respect as well as the identity of the entities to which such costs and fees are paid – as well as any relationship they may have with the Custodian will be available in the annual report of the Company.

## B. Securities Lending Transaction

The Company may more specifically enter into securities lending transactions provided that the following rules are complied with in addition to the above mentioned conditions:

- (i) The borrower in a securities lending transaction must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law;
- (ii) The Company may only lend securities to a borrower either directly or through a standardised

system organised by a recognised clearing institution or through a lending system organised by a financial institution subject to prudential supervision rules considered by the CSSF as equivalent to those provided by EU law and specialised in this type of transaction;

- (iii) The Company may only enter into securities lending transactions provided that it is entitled at any time under the terms of the agreement to request the return of the securities lent or to terminate the agreement.

#### C. Repurchase and reverse repurchase transactions

The Company may enter into repurchase agreements that consist of forward transactions at the maturity of which the Company (seller) has the obligation to repurchase the assets sold and the counterparty (buyer) the obligation to return the assets purchased under the transactions. The Company may further enter into reverse repurchase agreements that consist of forward transactions at the maturity of which the counterparty (seller) has the obligation to repurchase the asset sold and the Company (buyer) the obligation to return the assets purchased under the transactions. The Company may also enter into transactions that consist in the purchase/sale of securities with a clause reserving for the counterparty/Company the right to repurchase the securities from the Company/counterparty at a price and term specified by the parties in their contractual arrangements.

The Company's involvement in such transactions is, however, subject to the additional following rules:

- (i) The counterparty to these transactions must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law;
- (ii) The Company may only enter into reverse repurchase agreement and/or repurchase agreement transactions provided that it is able at any time (a) to recall the full amount of cash in a reverse repurchase agreement or any securities subject to a repurchase agreement or (b) to terminate the agreement in accordance with applicable regulations. However, fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company.

#### *Management of collateral and collateral policy*

##### **General**

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, each Sub-Fund concerned may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral policy applied by the Company in such case. All assets received by a Sub-Fund in the context of efficient portfolio management techniques (securities lending, repurchase or reverse repurchase agreements) shall be considered as collateral for the purposes of this section.

## **Eligible collateral**

Collateral received by the relevant Sub-Fund may be used to reduce its counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- (a) Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- (b) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (c) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (d) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Sub-Fund's net asset value to any single issuer on an aggregate basis, taking into account all collateral received. By way of derogation, a Sub-Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong. In such event, the relevant Sub-Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the Sub-Fund's net asset value;
- (e) It should be capable of being fully enforced by the relevant Sub-Fund at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Sub-Funds may consist of:

- (a) Cash and cash equivalents, including short-term bank certificates and Money Market Instruments;
- (b) Bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope;
- (c) Shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent;
- (d) Shares or units issued by UCITS investing mainly in bonds/shares mentioned in (e) and (f) below;
- (e) Bonds issued or guaranteed by first class issuers offering adequate liquidity;
- (f) Shares admitted to or dealt in on a regulated market of a Member State of the EU or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

Cash collateral and non-cash collateral received shall not be sold, re-invested, re-used or pledged.

#### *Level of collateral*

Each Sub-Fund will determine the required level of collateral for OTC financial derivatives transactions and efficient portfolio management techniques by reference to the applicable counterparty risk limits set out in this Prospectus and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

With respect to securities lending, the relevant Sub-Fund will generally require the borrower to post collateral representing, at any time during the lifetime of the agreement, at least 100% of the total value of the securities lent. Repurchase agreement and reverse repurchase agreements will generally be collateralised, at any time during the lifetime of the agreement, at a minimum of 100% of their notional amount.

#### *Haircut policy*

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the Company for each asset class based on its haircut policy. The policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets and, where applicable, the outcome of liquidity stress tests carried out by the Company under normal and exceptional liquidity conditions.

At the time of this Prospectus, the Company only accepts cash, high quality government bonds, and reliable corporate bonds as collateral. For each bond received as collateral a specific haircut will be applied. The determination of the haircut depends on the type of bond and its liquidity assessment according to the above mentioned stress testing.

The following haircuts for collateral are applied by the Company, which reserves the right to vary this policy at any time:

<b>Eligible Collateral</b>	<b>Haircut</b>
Shares and/or convertible bonds which are comprised in a main index	20%
Debt and debt-related securities issued by a non-governmental issuer	15%
Cash deposits in a currency other than the currency of exposure	10%

In exceptional market conditions a different level of haircut may be applied.

The value of non-cash collateral received is at least 90% of the counterparty risk value.