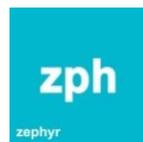


# EXANE FUNDS 1

IN COMPLIANCE WITH THE PROVISIONS OF PART I OF THE LAW OF 17 DECEMBER 2010

## PROSPECTUS

relating to the issue of shares of the  
Société d'Investissement à Capital Variable (SICAV)  
governed by Luxembourg law



**JANUARY 2024**

### DISCLAIMER

Before subscribing to shares, you are advised to read this prospectus carefully (hereinafter the "Prospectus") together with the Company's latest financial report, copies of which are available from the SICAV's registered office and offices of any correspondents or entities responsible for marketing the Company's shares. Subscription requests shall be made on the basis of the conditions and procedures set out in this Prospectus. Before investing in the Company, investors are advised to consult their own financial, legal and tax advisers in order to ascertain whether investing in the Company is suitable for them.

The Company draws investors' attention to the fact that an investor may only exercise his rights as an investor directly against the Company (in particular the right to take part in General Meetings of Shareholders) if the investor appears in his own name on the register of the Company's shareholders. If an investor invests in the Company via an intermediary that invests in the Company in its own name on the investor's behalf, some of the rights attached to the status of shareholder may not necessarily be exercised directly against the Company by the investor. Investors are advised to obtain information about their rights.

This Prospectus may not be used for the purpose of a public offering or sales solicitation in any country or in any circumstances in which such an offering or solicitation is not authorised.

In particular, the Company or its shares have not been, and will not be, registered under the U.S Securities Act of 1933 or qualified under any applicable U.S. state statutes, and the Shares may not be transferred, offered and sold in the United State of America (including its territories and possessions) or to or for the benefit of, directly or indirectly, any U.S Person (as defined in Regulation S in the U.S. Securities Act of 1933), except pursuant to registration or applicable exemption. Consequently, the Company's shares may not be offered or sold to US persons who are unauthorised persons within the meaning of Article 11 of the Company's Articles of Association. Any failure to comply with these restrictions may constitute a violation of US securities laws. The Company's Board of Directors shall demand the immediate redemption of shares purchased or held by US persons, including investors who may have become US persons subsequent to the purchase of shares.

In addition, no one should rely on information other than that disclosed in the Prospectus and the documents referred to therein that may be consulted by the public. The Company's Board of Directors shall be liable for the accuracy of the information contained in the Prospectus on its publication date.

Lastly, the Prospectus may be updated in order to add or delete any sub-funds and to include any significant changes made to the structure and operating methods of the Company. Subscribers are therefore advised to obtain the most recent documents from one of the entities referred to below.

Investing in the Company involves risks, including those associated with equity and bond markets, foreign exchange rates and interest rate volatility. The Company cannot guarantee that it will achieve its objectives. The value of the capital and income from investments in shares of the Company may vary and investors may not get back the full amount of capital initially invested. Past performance is no guide to future results.

**If the meaning of a word or sentence in any translation of this Prospectus is inconsistent or ambiguous, the French version shall prevail in case of dispute.**

Subscriptions for shares of the Company are valid only if made on the basis of the current prospectus and the most recent semi-annual report if such report has been published since the most recent annual report. These documents form an integral part of this prospectus.

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**COMPANY ORGANISATION****REGISTERED OFFICE**

60, avenue J.F. Kennedy  
L-1855 Luxembourg

Exane Asset Management

M. Eric Lauri  
Deputy Chief Executive Officer  
Exane Asset Management

**BOARD OF DIRECTORS****CHAIRMAN OF THE BOARD OF DIRECTORS**

Mr Jihad Taleb

**DIRECTORS**

Mr Pierre Séquier,  
Chief Executive Officer,  
Exane Asset Management

Mr. Fabrice Bagès  
Administrative and Financial Manager  
Exane Asset Management

Mr Eric Chinchon  
Independent board member, certified

**DEPOSITARY, DOMICILIARY AND LISTING AGENT, REGISTRAR AND TRANSFER AGENT, ADMINISTRATIVE AGENT**

BNP Paribas,  
Luxembourg Branch  
60, avenue J.F. Kennedy  
L-1855 Luxembourg

**MANAGEMENT COMPANY**

Exane Asset Management  
11 rue Scribe  
75009 Paris  
France

**INDEPENDENT AUDITOR**

PricewaterhouseCoopers S.à r.l.  
2, rue Gerhard Mercator  
B.P. 1443 L-1014 Luxembourg

**BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY****LEGAL ADVISOR**

Arendt & Medernach  
14 rue Erasme  
L-2082 Luxembourg

**Chairman of the Board of Directors**

Mr Benoît Catherine  
Deputy Chief Executive Officer  
Exane

**Directors**

Mr Pierre Séquier  
Chief Executive Officer  
Exane Asset Management

Mr Charles-Henri Nême  
Deputy Chief Executive Officer  
Exane Asset Management

Mr Eric Lauri  
Deputy Chief Executive Officer  
Exane Asset Management

Mr Frédéric Delattre

Mrs Dominique Aubernon  
Chief Executive Officer  
Exane

M. Patrick Simion  
BNP Paribas

**CONDUCTING PERSONS OF THE MANAGEMENT COMPANY**

Mr Pierre Séquier  
Chief Executive Officer  
Exane Asset Management

Mr Charles-Henri Nême  
Deputy Chief Executive Officer

# PROSPECTUS RELATING TO THE PERMANENT OFFER OF SHARES OF THE "EXANE FUNDS I" SICAV

## I. GENERAL DESCRIPTION OF THE SICAV

### 1. THE COMPANY

**EXANE FUNDS 1**, referred to throughout the Prospectus as "the Company", is an open ended investment company with variable share capital (SICAV) which has designated the Management Company. The Company was first incorporated as a self-managed SICAV in Luxembourg on 26 June 2006 for an indefinite period, in accordance with the provisions of Part I of the Law of 17 December 2010 relating to undertakings for collective investment, as amended (hereinafter the "Law of 2010"), and the law of 10 August 1915 on commercial companies (the "Law of 1915"), as amended.

The minimum capital is set at 1,250,000 (one million two hundred and fifty thousand) euros. The Company's capital shall at all times be equal to the sum of the value of the net assets of the Company's sub-funds, and is represented by fully paid-up shares issued with no par value. The characteristics of these shares are described in the section entitled "Shares" of this Prospectus. The capital initially subscribed amounts to EUR 31,000 divided into 31 fully paid-up shares. On its approval date the Company was in possession of the minimum capital of EUR 300,000 required under the Law of 2010.

Changes to the capital shall be carried out automatically without the need to advertise or register with the Luxembourg Trade and Companies Register, as is normally required for capital increases and capital reductions of limited companies.

The Company's Articles of Association were published in the *Mémorial C, Recueil des Sociétés et Associations* (the "Mémorial") on 17 July 2006 after having been filed with the District Court of and in Luxembourg, where they may be consulted. The Articles of Association were amended by decision of the extraordinary general meeting of shareholders held on 13 November 2015. Amendments were published in the Mémorial on 10 February 2016.

The Company is registered with the Luxembourg Trade and Companies Register under number B 117 281.

The consolidated accounts shall be denominated in euro.

### 2. THE SUB-FUNDS

**EXANE FUNDS 1** is incorporated in the form of a SICAV with multiple sub-funds (hereinafter a "Sub-fund" or "Sub-funds") and as such offers investors the option of investing in a number of different Sub-funds, each of which has its own portfolio of securities, money market instruments and other assets authorised by the law. Each Sub-fund has a specific investment objective. The characteristics and investment policy of each Sub-fund are defined in the Appendices specific to each Sub-fund (the "Appendices"), which can be found at the end of the Prospectus.

With regard to third parties, the Company constitutes one and the same legal entity. In accordance with Article 181 of the Law of 2010, the assets of a given Sub-fund correspond exclusively to the debts, commitments and obligations relating to said Sub-fund. With regard to shareholders, each Sub-fund is treated as a separate entity.

This structure offers individual and institutional investors, within the meaning of Article 174(2) of the Law of 2010, the advantage of being able to choose from various Sub-funds and to switch from one Sub-fund to another Sub-fund under the terms and conditions set out in the section entitled "Conversion of Shares" of this Prospectus.

The Company has the option of creating new Sub-funds at any time. Accordingly, the investment policy and terms and conditions of the offering shall be communicated at the appropriate time by means of an update to the Prospectus. Investors may also be advised of changes through the press, if required to do so in accordance with regulations, or if the Board of Directors considers it appropriate. The Board of Directors may also liquidate certain Sub-funds, in accordance with the procedure set out in the section "Liquidation of the Company - Closure and Merger of Sub-funds or Classes" of this Prospectus.

The net asset value of each Sub-fund shall be denominated in the reference currency of the Sub-fund, as

stipulated in the description of each Sub-fund.

## II. MANAGEMENT AND ADMINISTRATION

The Company is managed and represented by a board of directors (the "Board of Directors"), acting under the supervision of the general meeting of shareholders (the "General Meeting of Shareholders"). The Company benefits from management, advisory, audit, asset custody, administration and distribution services. The roles and responsibilities relating to these functions are described below.

### 1. BOARD OF DIRECTORS

The Board of Directors assumes ultimate responsibility for the management and the administration of the Company including the overall management of the investments of the Company and for supervising its operations as well as determining and implementing the investment policies of each Sub-Fund. It is responsible for the administration, investment policy and management of assets of each of the Company's Sub-funds. It may carry out all management and administration duties on behalf of the Company and exercise all rights attached directly or indirectly to the assets of the Company.

The list of Board members can be found in this Prospectus and in the interim reports.

### 2. MANAGEMENT COMPANY

The Company has appointed Exane Asset Management to serve as its designated management company (the "Management Company") in accordance with the Law of 2010 pursuant to a collective portfolio management agreement concluded on 12 October 2018 and effective as of 1<sup>st</sup> December 2018 (the "Collective Portfolio Management Agreement" or "Agreement").

Exane Asset Management is a management company within the meaning of chapter 15 of the Law of 2010, approved in France by the *Autorité des marchés financiers* under number GP01015. Incorporated on 20 February 2001 in the form of a French limited company (*société anonyme*) with a management board and a supervisory board, the company was transformed to a simplified limited company (*société par actions simplifiée*) on October 12th, 2009.

Its fully paid-up share capital amounts to EUR 3,000,000. Its articles of incorporation are registered with the *Registre de Commerce et des Sociétés de Paris* under the number 434 692 828.

Under the Collective Portfolio Management Agreement, subject to the overall supervision and control of the Board, the Management Company shall have among others:

- the responsibility of the investment management of the Company's assets, which includes the following duties, inter alia:
  - providing any advice or recommendations relating to future investments;
  - concluding contracts, buying, selling, exchanging and delivering any securities and any other assets;
  - exercising, on behalf of the Company, any voting rights attached to the securities belonging to the Company.
- the Company's administration;
- the implementation of the distribution and the marketing of the Shares of the Company.

The Management Company is permitted to delegate, under its responsibility and its supervision, one or several of its functions in order to execute its activities in a more efficient manner and subject to the prior approval of the Company and the Luxembourg regulatory authority.

The Management Company has delegated the central administration functions including registrar and transfer agent functions.

The Management Company's liability shall not be affected by the fact that it has delegated its functions and duties to third parties.

The Collective Portfolio Management Agreement is concluded for an indefinite period of time and may be terminated by either party upon three months' prior written notice. Notwithstanding the foregoing, the agreement may be terminated by the Management Company with immediate effect in the specific circumstances provided by such agreement.

The Management Company shall at all times act in the best interest of the Shareholders and according to the provisions set forth by the Law of 2010, the Prospectus and the Articles.

The Management Company also act as the management company of the SICAV Exane Funds 2. Moreover, the Management Company will ensure that it has in place a remuneration policy that is consistent with sound and effective risk management and which does not encourage risk taking which is inconsistent with the risk profile of the Sub-Funds. The Management Company's remuneration policy integrates governance, balanced pay structure between fixed and variable components as well as risk and long-term performance alignment rules that are designed to be consistent with the business strategy, objectives, values and interests of the Management Company and the Company and the Shareholders and includes measures to avoid conflicts of interest. The Management Company ensures that the assessment of the performance is based on the long term performance of the Company and the actual payment of performance-based components of remuneration is spread over the same period. The Management Company has identified its staff members whose professional activity have a material impact on the risk profiles of the Sub-Funds, and shall ensure they comply with remuneration policy. The details of the up-to-date remuneration policy of the Management Company is available on <https://exane-am.remuneration-policy> and a paper copy is available free of charge upon request to the registered office of the Management Company.

The Management Company shall receive, as remuneration for its functions, a Management Fee payable at the end of each quarter and calculated on the basis of the average net assets of each Sub-Fund for the quarter in question; as well as performance fees if applicable. The amount of these management fees is specified for each Sub-Fund in the relevant Appendix.

### **3. DEPOSITARY, DOMICILIARY AND LISTING AGENT**

The custody and monitoring of the Company's assets is entrusted to a Depositary, which fulfils the obligations and duties set out in the Law of 2010.

Pursuant to a depositary agreement dated 1<sup>st</sup> December 2018 (the "Depositary Agreement"), the Company appointed BNP Paribas Securities Services, Luxembourg Branch as Depositary agent (hereinafter the "Depositary") to hold, on behalf of the Company, all cash, securities and other assets belonging to the Company.

BNP Paribas Luxembourg Branch is a branch of BNP Paribas. BNP Paribas is a licensed bank incorporated in France as a *Société Anonyme* (public limited company) registered with the *Registre du commerce et des sociétés Paris* (Trade and Companies' Register) under number No. 662 042 449, authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the Autorité des Marchés Financiers (AMF), with its registered address at 16 Boulevard des Italiens, 75009 Paris, France acting through its Luxembourg branch, whose office is at 60, avenue J.F. Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B23968, and is supervised by the *Commission de Surveillance du Secteur Financier* (the "CSSF").

Shareholders may consult a copy of the Depositary Agreement at the Company's registered office and the offices of the Depositary, during business hours.

In accordance with standard banking practice, the Depositary may, under its responsibility, entrust to other banking institutions and financial intermediaries all or part of the assets under its custody in Luxembourg. The Depositary is responsible for any transfers of the Company's assets, as instructed by the Company.

The Depositary is in particular responsible for ensuring that:

- a) The sale, issue, redemption and cancellation of shares by the Company or on its behalf are carried out in accordance with the Law of 2010 and with the Company's Articles of Association;
- b) It receives payment within the usual time limits for any transaction involving the Company's assets;
- c) The Company's profits are allocated in accordance with the Articles of Association.

Under the Law of 2010, the Depositary performs three types of functions, namely (i) the oversight duties (as defined in article 34(1) of the Law of 2010, (ii) the monitoring of the cash flows of the Company (as set out in article 34(2) of the Law of 2010) and (iii) the safekeeping of the Company's assets (as set out in article 34(3) of

the Law of 2010).

Under its oversight duties, the Depositary is required to :

- 1) ensure that the sale, issue, repurchase, redemption and cancellation of Shares effected by or on behalf of the Company are carried out in accordance with the Law of 2010 and the Articles,
- 2) ensure that the value of the Shares is calculated in accordance with the Law of 2010 and the Articles,
- 3) carry out the instruction of the Management Company unless they conflict with the Law of 2010 and the Articles,
- 4) ensure that, in transactions involving the Company's assets, the consideration is remitted to the Company within the usual time limits,
- 5) ensure that the Company's revenues are allocated in accordance with the Law of 2010 and the Articles.

The overriding objective of the Depositary is to protect the interests of the Shareholders, which always prevail over any commercial interests.

Conflicts of interest may arise if and when the Company or the Management Company maintains other business relationships with BNP Paribas, Luxembourg Branch in parallel with an appointment of BNP Paribas, Luxembourg Branch acting as Depositary.

Such other business relationships may cover services in relation to:

- outsourcing/delegation of middle or back office functions (e.g. trade processing, position keeping, post trade investment compliance monitoring, collateral management, OTC valuation, fund administration inclusive of net asset value calculation, transfer agency, fund dealing services) where BNP Paribas or its affiliates act as agent of the Company or the Management Company, or
- selection of BNP Paribas or its affiliates as counterparty or ancillary service provider for matters such as foreign exchange execution, securities lending, bridge financing.

The Depositary is required to ensure that any transaction relating to such business relationships between the Depositary and an entity within the same group as the Depositary is conducted at arm's length and is in the best interests of the Shareholders.

In order to address any situations of conflicts of interest, the Depositary has implemented and maintains a management of conflicts of interest policy, aiming namely at:

- identifying and analysing potential situations of conflicts of interest;
- 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 segregation of duties, separation of reporting lines, insider lists for staff members;
  - 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" (i.e. by separating functionally and hierarchically the performance of its Depositary duties from other activities), making sure that operations are carried out at arm's length and/or informing the concerned shareholders, or (ii) refuse to carry out the activity giving rise to the conflict of interest;
  - implementing a deontological policy;
  - recording of a cartography of conflict of interests permitting to create an inventory of the permanent measures put in place to protect the Company Fund's interests; or
  - setting up internal procedures in relation to, for instance (i) the appointment of service providers which may generate conflicts of interests, (ii) new products/activities of the Depositary in order to assess any situation entailing a conflict of interest.

In the event that conflicts of interest do arise, the Depositary will undertake to use its reasonable endeavours to resolve any such conflicts of interest fairly (having regard to its respective obligations and duties) and to ensure that the Company and the Shareholders are fairly treated.

The Depositary may delegate to third parties the safe-keeping of the Fund Company's assets subject to the conditions laid down in the applicable laws and regulations and the provisions of the Depositary Agreement. The process of appointing such delegates and their continuing oversight follows the highest quality standards, including the management of any potential conflict of interest that should arise from such an appointment. Such delegates must be subject to effective prudential regulation (including minimum capital requirements, supervision in the jurisdiction concerned and external periodic audit) for the custody of financial instruments. The Depositary's liability shall not be affected by any such delegation.

A potential risk of conflicts of interest may occur in situations where the delegates may enter into or have a

separate commercial and/or business relationship with the Depositary in parallel to the custody delegation relationship.

In order to prevent such potential conflicts of interest from crystalizing, the Depositary has implemented and maintains an internal organisation whereby such separate commercial and/or business relationships have no bearings on the choice of the delegate or the monitoring of the delegates' performance under the delegation agreement.

A list of these delegates and sub-delegates for its safekeeping duties is available on the website <https://securities.cib.bnpparibas/app/uploads/sites/3/2021/11/ucitsv-list-of-delegates-sub-delegates-en.pdf>. Such list may be updated from time to time. Updated information on the Depositary's custody duties, a list of delegations and sub-delegations, and conflicts of interest that may arise, may be obtained, free of charge and upon request, from the Depositary.

BNP Paribas, Luxembourg Branch, being part of a group providing clients with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNP Paribas Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg. More pertinently, entities located in France, Belgium, Spain, Portugal, Poland, USA, Canada, Singapore, Jersey, United Kingdom, Luxembourg, Germany, Ireland and India are involved in the support of internal organisation, banking services, central administration and transfer agency service. Further information on BNP Paribas, Luxembourg Branch international operating model may be provided upon request by the Company and/or the Management Company.

The Depositary Agreement may be terminated by either party, subject to 90 days' written notice sent by either party to the other party. The following provisions shall then apply:

- a new Depositary must be appointed within two months following the termination of the Depositary Agreement to undertake the duties and assume the responsibilities of the Depositary, as defined in the agreement signed to this effect;
- if the Company decides to terminate the agreement, the Depositary shall continue to carry out its duties until all the Company's assets have been transferred to the new Depositary;
- if the Depositary resigns, its obligations shall only terminate once a new Depositary has been appointed and all the Company's assets have been transferred to the new Depositary.

The fees and charges of the Depositary, as detailed in the Appendices, shall be borne by the Company and shall be in line with industry practice in Luxembourg. They represent an annual percentage of the average net assets and are payable quarterly.

In addition, the Depositary undertakes the functions of domiciliary agent and listing agent for the Company (hereafter the "Domiciliary Agent and Listing Agent"), pursuant to an agreement signed on 27 June 2006 (the "Domiciliary and Listing Agent Agreement"). In this context, it is responsible for the provisions described in the Domiciliary and Listing Agent Agreement.

The Company may terminate one or more of the functions referred to in this agreement, subject to 90 days' written notice. The Domiciliary and Listing Agent may in turn terminate their own functions, subject to providing the Company with 90 days' written notice.

#### **4. ADMINISTRATIVE AGENT AND REGISTRAR AND TRANSFER AGENT**

The Management Company has delegated the functions linked to the administration of the Company to BNP Paribas Luxembourg Branch in accordance with the terms of the administrative Agreement signed on 27 June 2014 as amended and novated on 1<sup>st</sup> December 2018 the "**Administrative Agreement**".

The duties of administrative agent (the "**Administrative Agent**") include, inter alia, the calculation and publication of the net asset value of the shares of each Sub-fund, in accordance with the Law of 2010 and with the Company's Articles of Association, and on behalf of the Company, all administrative and accounting services required with the management of the Company.

The registrar and transfer agent (the "**Registrar and Transfer Agent**") functions notably include the handling of the Company's Share subscription, redemption and conversion requests and the maintaining of the Company's register of Shareholders. It is also responsible, if applicable, for the payment of dividends and

redemption proceeds to shareholders of the Company.

The rights and obligations of BNP Paribas, Luxembourg Branch, are governed by an agreement concluded for an indefinite period. The Company may terminate one or more functions referred to in this agreement, subject to 90 days' written notice. BNP Paribas, Luxembourg Branch may in turn terminate its own functions, subject to providing the Company with 90 days' written notice. Notwithstanding the foregoing, the Management Company may terminate the Administrative Agreement with immediate effect when required by the investors' interest.

In accordance with current laws and regulations and with the prior agreement of the Management Company and the Luxembourg regulatory authority, BNP Paribas, Luxembourg Branch is authorised to delegate, at its own expense, its duties or part thereof to any person or company it deems appropriate (hereinafter the "Agent(s)"), on the understanding that the Prospectus is updated beforehand and that the Administrative Agent retains full responsibility for the actions of said Agent(s). The fact that BNP Paribas, Luxembourg Branch has delegated its functions to third parties does not affect the responsibility of the Management Company.

As remuneration for its functions as administrative agent and registrar and transfer agent, BNP Paribas, Luxembourg Branch shall receive a fee directly charged on the assets of the Company or of the relevant Sub-Fund as detailed in the Appendices.

#### **5. DISTRIBUTORS AND NOMINEES**

The Management Company may decide to appoint distributors/nominees to assist with the distribution of shares in countries where the fund is marketed.

Distribution/nominee agreements shall be concluded by the Management Company and the various distributors/nominees.

The Distributor shall send the Registrar and Transfer Agent subscription, redemption and conversion requests together with the associated payments.

The Nominees are banks or financial institutions appointed as Distributors by the Company or by the Management Company responsible for organising the distribution of the Company's shares. They act as the intermediary between the investors and the Company. The Nominee may request subscriptions, conversions or redemptions of shares on behalf of the investor. These transactions shall be recorded in the Sub-fund's register of shares in the name of the Nominee.

The provisions of the distribution and nominee agreement stipulate, inter alia, that a client who has invested in the Company through a nominee may at any time ask for the shares subscribed via the Nominee to be transferred into his name. Any client requesting this option shall be recorded in his own name in the register of shareholders on receipt of the transfer instruction from the nominee.

Shareholders may subscribe to shares directly, by contacting the Company, rather than through a distributor/nominee.

If a Nominee is appointed, said nominee shall apply the anti-money laundering procedures, as described in point 2.E section VI "Shares" of this Prospectus.

The distributors/nominees are not authorised to delegate, in full or in part, their functions.

#### **6. INDEPENDENT AUDITOR**

PricewaterhouseCoopers SARL, Luxembourg, in its capacity as the Company's auditor, has been appointed to audit the Company's accounts and annual financial statements.

#### **III. OBJECTIVES AND INVESTMENT POLICY**

The main objective of the Company is to offer shareholders the highest possible return combined with risk diversification.

The Company's investment policy is determined by the Board of Directors, on the basis of the political, economic, financial and monetary situation at the time. It varies from Sub-fund to Sub-fund, in accordance with the characteristics specific to each Sub-fund, as described in the Appendices found at the end of this Prospectus.

The Company allows shareholders to change, under preferential conditions, their investment guidelines and, where relevant, the investment currency by converting shares of one Sub-fund into shares of another of the Company's Sub-funds.

For each Sub-fund the objective is to achieve maximum growth in the assets invested. The Company takes risks it considers to be reasonable to achieve the designated objective. However, in view of stock market fluctuations and other risks to which securities investments are exposed, it cannot guarantee such objectives will be achieved.

The investment policy shall be implemented in strict compliance with the principle of risk diversification and allocation. To this end, the Company, without prejudice to what may be specified for one or more Sub-funds, shall be subject to the investment restrictions described in section IV of this Prospectus.

In addition, the Company, without prejudice to what may be specified for one or more Sub-funds, is authorised, in accordance with the procedures set out in section V of this Prospectus, to utilise techniques and financial instruments for the purposes of sound portfolio management and/or hedging purposes.

In accordance with the Law of 2010 and the applicable regulations, in particular Circular CSSF 11/512, the Company shall employ a risk management method to enable it to control and measure at any time the risk associated with positions and the contribution of said positions to the portfolio's general risk profile.

As part of the risk management method, the Company uses the commitment approach to monitor and measure the overall exposure of each Sub-fund. This approach measures overall exposure relating to positions on financial derivative instruments and other efficient portfolio management techniques, which must not exceed the total net asset value of the Company's portfolio.

The investments of the various Sub-funds shall be subject to the restrictions laid down in the Law of 2010 and in this Prospectus.

The limits stipulated in sections IV "Investment Restrictions" and V "Techniques and Financial Instruments" of this Prospectus must not be complied with by the Company in the event of the exercising of subscription rights attached to securities comprising the fund's assets.

If the limits referred to above are exceeded as a result of an event outside the control of the Company or following the exercising of subscription rights, the Company shall, through its sell transactions, endeavour to rectify this situation, taking into account the shareholders' interests.

#### **IV. INVESTMENT RESTRICTIONS**

With the principle of risk diversification in mind, the Board of Directors has the power to determine the Company's investment policy for each Sub-fund, the reference currency and the approach to be adopted for managing the Company's affairs.

Unless provided for otherwise for a Sub-fund in the Appendix section, the investment policy shall comply with the restrictions and rules set forth below.

To improve investors' understanding of this section, the following terms have been defined as follows:

Another State: Any European country that is not a Member State, and any country of America, Africa, Asia, Australia and Oceania.

(An)Other Regulated Market: A properly functioning, recognised, regulated market that is open to the public, i.e. a market (i) that complies with all the following criteria: liquid, multilateral in terms of the matching of orders (general matching of supply and demand so that a single price can be established), transparent (dissemination of the maximum amount of information offering parties placing orders the option of tracking market movements to ensure their orders are effectively executed under the conditions at that point in time), (ii) whose securities are traded at set intervals, (iii) recognised by a country, by a public authority appointed by this country, by another entity such as a professional association recognised by this country or by this public authority, and (iv) whose securities traded on this market must be accessible to the public.

Member State: A Member State of the European Union.

Group of Companies: Companies belong to the same group if, pursuant to Council Directive 83/349/EEC of 13 June 1983 relating to consolidated accounts or in accordance with internationally accepted accounting rules, they must prepare consolidated accounts.

Money Market Instruments: Instruments normally traded on the money market that are liquid and whose value can be determined accurately at any time.

Regulated Market: A regulated market as defined in Directive 2004/39/EC of 21 April 2004 relating to markets in financial instruments, i.e. a multilateral system operated and/or managed by a market operator that provides or facilitates the meeting, within the entity itself and according to its non-discretionary rules, of multiple buyer and seller interests expressed by third parties for financial instruments, resulting in the conclusion of contracts involving financial instruments admitted for trading in the context of its rules and/or systems, and which is approved and properly functioning in accordance with the provisions of Directive 2004/39/EC.

Securities: - shares and other equity-equivalent securities;  
- bonds and other debt securities;  
- all other debt securities entitling the holder to acquire such securities via a subscription or exchange.  
This excludes the techniques and instruments referred to in section V "Techniques and Financial Instruments" of this Prospectus.

#### **A. THE COMPANY'S INVESTMENTS MAY INCLUDE:**

- (1) Transferable Securities and Money Market Instruments listed or traded on a Regulated Market.
- (2) Transferable Securities and Money Market Instruments traded on Another Regulated Market of a Member State.
- (3) Transferable Securities and Money Market Instruments listed on a stock market of Another State or traded on Another Regulated Market of Another State.
- (4) Newly issued Transferable Securities and Money Market Instruments, provided that:
  - the issue conditions include the commitment that an application has been submitted for an official listing on a Regulated Market, a stock market of Another State or Another Regulated Market, as referred to in points (1) to (3);
  - the listing is obtained within one year of issue.
- (5) Units of Undertakings of Collective Investments in Transferable Securities (UCITS funds) and/or other collective investment schemes within the meaning of the first and second sub-paragraphs of Article 1(2) of Directive 85/611/EEC, irrespective of whether they are based in an European Union Member State, on condition that:
  - these other collective investment schemes are approved in accordance with legislation stipulating that these entities are subject to monitoring that the Luxembourg financial sector supervisory authority ("*Commission de Surveillance du Secteur Financier*" or "CSSF") considers to be equivalent to that provided for under EU legislation and that the authorities shall cooperate with one another (currently the United States, Canada, Switzerland, Norway, Hong Kong and Japan);
  - the level of guarantee protection offered to unitholders of these other collective investment schemes is equivalent to that offered to unitholders of a UCITS fund and, in particular, that the rules relating to the segregation of assets, borrowings, loans, short selling of Transferable Securities and Money Market Instruments are equivalent to the requirements of Directive 85/611/EEC;

- the activities of these other collective investment schemes are detailed in semi-annual and annual reports used to assess the assets and liabilities, profits and transactions for the period under review;
  - the proportion of assets of these UCITS funds or other collective investment schemes in which the fund intends to invest, which, in accordance with their formation documents may generally be invested in units of other UCITS funds or other collective investment schemes, does not exceed 10%.
- (6) Deposits with a credit institution, which may be repaid or withdrawn on request and with a maturity of a maximum 12 months, provided the credit institution has its registered office in a Member State or, if its registered office is located in Another State, is subject to prudential rules considered by the CSSF to be equivalent to those provided for under EU legislation.
- (7) Derivative financial instruments, including equivalent instruments that make a cash payment, that are traded on a Regulated Market or on Another Regulated Market of the type listed in points (1), (2) and (3) above, and/or derivative financial instruments traded over the counter ("over-the-counter derivatives"), provided that:
- the underlying consists of instruments listed in this section A, financial indices, interest rates or foreign exchange rates or currencies in which the Company may make investments in accordance with its investment objectives;
  - the counterparties to the over-the-counter derivatives transactions are institutions subject to prudential supervision and belong to the categories approved by the CSSF; and
  - the over-the-counter derivatives transactions are subject to a reliable, verifiable daily valuation and may, on the Company's initiative, be sold, liquidated or closed out by a symmetrical transaction at any time and at their fair value;
- (ii) in all cases these transactions must not result in the Company departing from its investment objectives.

The Company may carry out transactions involving options, forward contracts on financial instruments and options on such contracts.

- (8) Money Market Instruments other than those traded on a Regulated Market or on Another Regulated Market, provided the issuer or the issuer of these instruments is itself subject to regulations aimed at protecting investors and savings, and that these instruments are:
- issued or guaranteed by a central, regional or local government, by a central bank of a Member State, by the European Central Bank, by the European Union or by the European Investment Bank, by Another State or, in the case of a federal State, by one of the members comprising the federation, or by an international public organisation of which one or more Member States is a member; or
  - issued by a company whose securities are traded on the Regulated Markets or on the Other Regulated Markets referred to in points (1), (2) and (3) above; or
  - issued or guaranteed by an institution subject to prudential supervision, in accordance with the criteria defined by EU law, or by an institution that is subject to and complies with prudential rules considered by the CSSF to be at least as strict as those provided for under EU legislation; or
  - issued by other entities belonging to the categories approved by the CSSF provided the investments in these instruments are subject to rules for the protection of investors that are equivalent to those provided for under the first, second and third indents, and that the issuer is a company with capital and reserves of at least ten million euros (EUR 10,000,000) and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, or an entity that, within a Group of Companies including one or more listed companies, is responsible for financing the Group or an entity that specialises in financing securitisation vehicles using funding provided by a bank.

**B. IN ADDITION, UNLESS A MORE RESTRICTIVE PROVISION IS INCLUDED IN THE INVESTMENT POLICY OF A SUB-FUND AND MENTIONED IN THE APPENDIX, THE COMPANY MAY, WITHIN EACH SUB-FUND:**

- (1) Invest up to 10% of the Sub-fund's net assets in Transferable Securities and Money Market Instruments other than those referred to in section A, points (1) to (4) and (8).
- (2) Hold cash and other cash equivalents, to a limited extent. This restriction may be lifted temporarily in exceptional circumstances if the Company believes that such a decision is taken in the interests of the shareholders.
- (3) Borrow up to 10% of the Sub-fund's net assets, provided such borrowings are temporary. Commitments related to options contracts and purchases and sales of forward contracts are not treated as borrowings when calculating the investment limit.
- (4) Purchase currencies through a back-to-back loan.

**C. IN ADDITION, THE COMPANY SHALL OBSERVE, WITH REGARD TO THE NET ASSETS OF EACH SUB-FUND, THE FOLLOWING INVESTMENT RESTRICTIONS (PER ISSUER):**

**(a) RISK DIVERSIFICATION RULES**

For the calculation of the limits described in points (1) to (5) and (8) below, companies within the same Group of Companies are treated as a single issuer.

If an issuer is a legal entity with multiple sub-funds where the assets of a sub-fund relate exclusively to the rights of the investors of said sub-fund and of those of the creditors whose debt arose at the time of the sub-fund's launch, operation or liquidation, each sub-fund is considered a separate issuer for the application of the risk diversification rules.

**• SECURITIES AND MONEY MARKET INSTRUMENTS**

- (1) A Sub-fund may not acquire additional Transferable Securities and Money Market Instruments from one and the same issuer if, following this acquisition:
  - (i) more than 10% of its net assets correspond to Securities or Money Market Instruments issued by this entity.
  - (ii) the total value of the Transferable Securities and Money Market Instruments held with issuers in each of which it invests more than 5%, exceeds 40% of the value of its net assets. This limit shall not apply to deposits held with financial institutions subject to prudential supervision and to over-the-counter derivatives transactions with these institutions.
- (2) A Sub-fund may invest up to 20% of its assets in Transferable Securities and Money Market Instruments issued by a single Group of Companies.
- (3) The 10% limit set in point (1) (i) is increased to 35% if the Transferable Securities and Money Market Instruments are issued or guaranteed by a Member State, its territorial public authorities, Another State or by international public organisations of which one or more Member States is a member.
- (4) The 10% limit set in point (1) (i) is increased to 25% for certain bonds, if said bonds are issued by a credit institution that has its registered office in a Member State and is legally subject to special supervision by public authorities aimed at protecting the holders of such bonds. In particular, the sums raised from the issue of these bonds must be invested, in compliance with the legislation, in assets that, for the lifetime of the bonds, can cover the liabilities created by the bonds and would, in the event of the issuer's insolvency, be used primarily for the repayment of principal and the payment of accrued interest. If a Sub-fund invests more than 5% of its assets in such bonds, issued by the same issuer, the total value of these investments may not exceed 80% of the value of this Sub-fund's net assets.
- (5) The securities mentioned above in points (3) and (4) should not be included when calculating the 40% threshold stipulated in point (1)(ii).

(6) Notwithstanding the limits described above, each Sub-fund is authorised to invest, according to the principle of risk diversification, up to 100% of its assets in different issues of Transferable Securities and Money Market Instruments issued or guaranteed by a Member State, its territorial public authorities, a member State of the Organisation for Economic Cooperation and Development (OECD) such as the United States or by public international organisations of which one or more Member States is a member, provided (i) these securities belong to at least six different issues and (ii) securities belonging to a same issue do not exceed 30% of the Sub-fund's net assets.

(7) Without prejudice to the limits set out in section (b) below, the limits established in point (1) are increased to a maximum 20% for investments in shares and/or bonds issued by the same entity, if the Company's investment policy is aimed at replicating the composition of a given equity or bond index that is recognised by the CSSF, on the following basis:

- the composition of the index is sufficiently diversified;
- the index constitutes a standard representative of the market to which it refers;
- it is published in an appropriate medium.

The 20% limit is increased to 35% if justified by exceptional market conditions, particularly on Regulated Markets where certain Securities or Money Market Instruments predominate. Investments up to this limit are only permitted for a single issuer.

#### • BANK DEPOSITS

(8) The Company may not place more than 20% of each Sub-fund's net assets on deposit with the same entity.

#### • DERIVATIVES AND EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES

(9) The counterparty risk in an over-the-counter derivatives transaction or efficient portfolio management techniques may not exceed 10% of the Sub-fund's net assets if the counterparty is one of the credit institutions referred to in section A (6) above, or 5% of its assets in the other cases.

(10) Investments may be made in derivative instruments provided that the total risks to which the underlying assets are exposed do not exceed the investment limits set in points (1) to (5), (8), (9), (13) and (14). If the Company invests in derivative instruments based on an index, these investments are not necessarily combined with the limits set in points (1) to (5), (8), (9), (13) and (14).

(11) The Sub-Fund's counterparties are credit institutions selected by the Management Company. They are selected and regularly valued in accordance with the Management Company's best execution policy which is available on its website: [www.exane-am.com](http://www.exane-am.com) (section: "statutory informations"); or on request to the Management Company. The Sub-Fund's exposure due to a financial derivative instrument or a financial contract is set-up with a specific agreement executed between the Company acting for the account of the Sub-Fund and the counterparty.

(12) If a Security or Money Market Instrument includes a derivative, this derivative must be taken into account for the application of the provisions laid out in sections C, point (14) and D, point (1) and for the assessment of the risks associated with the derivatives transactions.

#### • UNITS OF OPEN-ENDED FUNDS

(12) A Sub-fund may not invest more than 20% of its net assets in units of the same UCITS or another collective investment scheme, as defined in section A, point (5).

#### • COMBINED LIMITS

(13) Notwithstanding the individual limits established in points (1), (8) and (9) above, a Sub-fund may not combine:

- investments in Securities or Money Market Instruments issued by the same entity;

- deposits with the same entity; and/or

- risks associated with over-the-counter derivatives transactions or efficient portfolio management techniques with a single entity;

that exceed 20% of its net assets.

(14) The limits provided for in points (1), (3), (4), (8), (9) and (13) above must not be combined. Therefore, each Sub-fund's investments in Securities or Money Market Instruments issued by the same entity, deposits with this entity or in derivatives or efficient portfolio management techniques traded with this entity in accordance with points (1), (3), (4), (8), (9) and (13) must not exceed a 35% of this Sub-fund's net assets in total.

#### (b) LIMITATIONS IN TERMS OF CONTROL

(15) The Company may not acquire shares with a voting right that would enable it to exercise a significant influence over the management of an issuer.

(16) The Company may not acquire (i) more than 10% of shares with no voting rights from the same issuer, (ii) more than 10% of bonds from the same issuer, (iii) more than 10% of Money Market Instruments issued by the same issuer, or (iv) more than 25% of units from the same UCITS and/or other collective investment scheme.

The limits set in points (ii) to (iv) do not need to be complied with if at the time of the acquisition the gross amount of bonds or Money Market Instruments, or the net amount of securities issued, cannot be calculated.

The limits referred to in points (15) and (16) do not apply to:

- transferable Securities and Money Market Instruments issued or guaranteed by a Member State or its territorial public authorities;
- transferable Securities and Money Market Instruments issued or guaranteed by Another State;
- transferable Securities and Money Market Instruments issued by public international organisations of which one or more Member States is a member;
- shares held in the capital of another company from Another State, provided that (i) this company invests its assets primarily in securities of issuers from this State where, (ii), pursuant to the legislation of this State, such an equity interest constitutes for the Company the only means of investing in securities of issuers of this State, and (iii) this company complies in its investment policy with the risk diversification rules and limits on control set out in sections C, points (1) to (5), (8), (9) and (12) to (16) and D, point (2);
- shares held as capital assets by subsidiary companies providing management, advisory or marketing services solely for the Company in the country where the subsidiary is based, in connection with the redemption of units at the request of shareholders.

#### D. IN ADDITION, THE COMPANY MUST OBSERVE THE FOLLOWING INVESTMENT RESTRICTIONS (PER INSTRUMENT):

(1) Each Sub-fund shall ensure that the total risk associated with derivative instruments does not exceed the total net value of its portfolio.

Risks are calculated on the basis of the current value of underlying assets, counterparty risk, foreseeable market developments and the time available to liquidate positions.

(2) Investments in units of collective investment schemes other than UCITS funds may not exceed, in total, 30% of a Sub-fund's net assets.

**E. LASTLY, THE COMPANY SHALL ENSURE THAT EACH SUB-FUND'S INVESTMENTS COMPLY WITH THE FOLLOWING RULES:**

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- (1) A Sub-fund may not acquire commodities, precious metals or certificates representing such commodities and precious metals, it being understood that transactions involving currencies, financial instruments, indices, or securities as well as forward contracts, options contracts and swaps relating thereto are not considered to be transactions involving commodities within the meaning of this restriction.
- (2) A Sub-fund may not acquire property, unless such acquisitions are essential for the direct operation of its business activity.
- (3) A Sub-fund may not use its assets to guarantee securities.
- (4) A Sub-fund may not issue warrants or other instruments conferring the right to acquire shares of said Sub-fund.
- (5) Without prejudice to the option for the Company to acquire bonds and other securities representing debts, in accordance with Part I of the Law of 2010, and to hold bank deposits, a Sub-fund may not grant credit or act as a guarantor on behalf of third parties. This restriction shall not apply to the acquisition of Securities, Money Market Instruments or other financial instruments that are not fully paid-up, as listed in section A, points (5), (7) and (8).
- (6) A Sub-fund may not undertake short selling on Securities, Money Market Instruments or the other financial instruments mentioned in section A, points (5), (7) and (8).

**F. NOTWITHSTANDING ALL THE AFOREMENTIONED PROVISIONS:**

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- (1) While ensuring compliance with the principle of risk diversification, each Sub-fund may, during a six-month period following its approval date, disregard section C, points (1) to (9) and (12) to (14).
- (2) The limits established previously may be disregarded during the exercising of subscription rights attached to Securities or Money Market Instruments that comprise the Sub-fund's assets.
- (3) If the limits are exceeded as a result of an event outside the control of the Company or following the exercising of subscription rights, the Company must endeavour through its sell transactions to rectify this situation, taking into account the shareholders' interests.

The Board of Directors is entitled to set other investment restrictions provided these limits are necessary to comply with the laws and regulations of countries in which the shares of the Company shall be offered or sold.

**V. EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES**

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The Company may arrange for Sub-Funds to make use techniques and instruments relating to Transferable Securities and Money Market Instruments, such as securities lending transactions, repurchase and reverse repurchase agreements, provided that such techniques and instruments are used for the purposes of hedging and/or efficient portfolio management and/or investment purposes, in accordance with the conditions set out in this section and the investment objective and policy of the Sub-Fund, as set out in the relevant Appendix. The use of such techniques and instruments should not result in a change of the declared investment objective of any Sub-Fund or substantially increase the stated risk profile of the Sub-Fund.

**A. GENERAL PROVISIONS**

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Unless stipulated otherwise for a given Sub-Fund, the Company may, in each Sub-Fund, use techniques and instruments involving Transferable Securities and Money Market Instruments, such as securities financing transactions ("SFTs"). A SFT is defined in the SFTR as a repurchase or reverse-repurchase transaction, securities lending and securities borrowing, a buy-sell back transaction or sell-buy back transaction or a margin lending transaction. The Securities Financing Transaction Regulations (SFTR) is the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on

transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012, used for the purposes of sound portfolio management with a view to achieving one or more of its objectives. The provisions of CSSF Circular 14/592, CSSF Circular 08/356 and SFTR shall at all time be complied with.

In accordance with its investment objective, the Sub-Funds may enter into securities lending, repurchase agreement and reverse repurchase agreement transactions and buy sell back transactions. The remuneration linked to these transactions is returned to the relevant Sub-Fund. Any conflicts of interest identified by the Management Company are documented in its conflicts of interest policy available on its website at the following internet address: [www.exane-am.com](http://www.exane-am.com) (section: "statutory informations").

Each Sub-Fund may incur costs and fees in connection with efficient portfolio management techniques. In particular, a Sub-Fund may pay fees to agents and other intermediaries, which may be affiliated with the Depository, the Management Company, in consideration for the functions and risks they assume. The amount of these fees may be fixed or variable. Information on direct and indirect operational costs and fees incurred by each Sub-Fund in this respect, as well as the identity of the entities to which such costs and fees are paid and any affiliation they may have with the Depository, the Management Company, if applicable, will be available in the annual report.

Where these transactions involve the use of derivative instruments, the conditions and limits laid down above in Section IV "Investment Restrictions" must be complied with.

"Efficient portfolio management" ("EPM") allows techniques and instruments to be used for the purpose of reducing risks and/or costs and/or increasing capital or income returns with a level of risk which is consistent with the risk profile and risk diversification requirements of the relevant Sub-Fund. "Investment purposes" refers to the use of techniques and instruments to fulfil the investment objectives of the relevant Sub-Fund. "Hedging purposes" refers to combinations of positions on derivative instruments and/or positions in cash realized for the purpose of reducing risks linked to derivatives and/or securities held by the relevant Sub-Fund.

Under no circumstances should the use of transactions involving derivative instruments or other financial instruments and techniques result in the Sub-Fund departing from the investment objectives described in the relevant Appendix.

Financial derivative instruments used by any Sub-Fund may include, without limitation, the following categories of instruments.

- (A) **Options:** an option is an agreement that gives the buyer, who pays a fee or premium, the right but not the obligation to buy or sell a specified amount of an underlying asset at an agreed price (the strike or exercise price) on or until the expiration of the contract. A call option is an option to buy, and a put option an option to sell.
- (B) **Futures contracts:** a futures contract is an agreement to buy or sell a stated amount of a security, currency, index (including an eligible commodity index) or other asset at a specific future date and at a pre-agreed price.
- (C) **Forward agreements:** a forward agreement is a customised, bilateral agreement to exchange an asset or cash flows at a specified future settlement date at a forward price agreed on the trade date. One party to the forward is the buyer (long), who agrees to pay the forward price on the settlement date; the other is the seller (short), who agrees to receive the forward price.
- (D) **Interest rate swaps:** an interest rate swap is an agreement to exchange interest rate cash flows, calculated on a notional principal amount, at specified intervals (payment dates) during the life of the agreement.
- (E) **Swaptions:** a swaption is an agreement that gives the buyer, who pays a fee or premium, the right but not the obligation to enter into an interest rate swap at a present interest rate within a specified period of time.
- (F) **Credit default swaps:** a credit default swap or CDS is a credit derivative agreement that gives the buyer protection, usually the full recovery, in case the reference entity or debt obligation defaults or suffers a credit event. In return the seller of the CDS receives from the buyer a regular fee, called the spread.
- (G) **Total return swaps:** a total return swap is an agreement in which one party (total return payer) transfers the total economic performance of a reference obligation to the other party (total return receiver). Total economic performance includes income from interest and fees, gains or losses from market movements, and credit losses.
- (H) **Contracts for differences:** a contract for differences or CFD is an agreement between two parties to pay the other the change in the price of an underlying asset. Depending on which way

the price moves, one party pays the other the difference from the time the contract was agreed to the point in time where it ends.

## **B. LENDING AND BORROWING OF SECURITIES**

Securities lending transactions consist in transactions whereby a lender transfers securities or instruments to a borrower, subject to a commitment that the borrower will return equivalent securities or instruments on a future date or when requested to do so by the lender, such transaction being considered as securities lending for the party transferring the securities or instruments and being considered as securities borrowing for the counterparty to which they are transferred.

Where specified in it the relevant Appendix, a Sub-Fund may enter into securities lending transactions as lender of securities or instruments.

### **1. Rules intended to ensure the successful conclusion of lending transactions:**

Sub-Fund, may enter into securities lending transactions as lender of securities or instruments subject to the provisions of this section. A Sub-Fund may lend and borrow securities with a view to improve its performance.

A Sub-Fund may only lend or borrow securities directly, or within a standardised system organised by a recognised securities clearing institution or by a first-class financial institution that is subject to prudential supervision rules regarded by the CSSF as being equivalent to those laid down in EU legislation and specialises in this type of transaction.

The Sub-Fund must ensure that the volume of securities lending transactions is kept at an appropriate level, or be able to ask for securities to be returned such that it can at all times meet its redemption obligations, and that these transactions do not prevent it from managing its assets as provided for in its investment policy.

In the course of its lending operations, the Sub-Fund must receive a guarantee that, at the time of entering into the contract, is at least equivalent in value to 90% of the total value of securities lent.

This guarantee must take the form of (a) cash and/or (b) bonds issued or guaranteed by an OECD Member State or by its local authorities or by supranational EU, regional or international institutions and organisations, and/or (c) shares or units issued by money market funds that calculate a daily net asset value and are rated AAA or equivalent, and/or (d) shares or units issued by investment funds that invest in the bonds or equities mentioned in points (e) and (f) below, and/or bonds issued or guaranteed by first-rate issuers offering adequate liquidity, and/or (f) shares listed or traded on a regulated market of an EU Member State or on the stock market of an OECD Member State, provided these shares or units are included in a major index.

This guarantee will not be required if the securities loan is executed through a recognised clearing institution or any other institution that agrees to provide the lender with a guarantee in accordance with the above requirements.

All revenues arising from securities lending and borrowing transactions net of direct and indirect operational costs and fees shall be returned to the relevant Sub-Fund. These costs and fees shall not include hidden revenue. The net revenues of the Sub-Funds arising from securities lending transactions together with the direct and indirect operational costs and the identity of the entities to which such costs are paid shall be disclosed in the Fund's annual report.

At the date of this Prospectus, the Fund does not engage in any securities lending and borrowing transactions. The Fund however reserves the right to resort, for each Sub-Fund, to such techniques within the above limits and conditions, as further described in the Sub-Fund Appendix.

### **2. Conditions and limits for lending and borrowing transactions:**

The Sub-Fund may not dispose of securities that it has borrowed for the full term of the loan, unless it has a hedge using financial instruments that allows the Sub-Fund to return the borrowed securities on closing out the transaction.

The Sub-Fund may reinvest a guarantee received in cash in:

- shares or units issued by money-market funds that calculate the net asset value daily and are rated AAA or equivalent;
- short-term bank deposits;
- money market instruments as defined by Directive EC 2007/16;
- short-term bonds issued or guaranteed by a Member State of the European Union, Switzerland, Canada, Japan and the USA or by their local authorities or by EU, regional or global supranational institutions and organisations;
- bonds issued or guaranteed by first-rate issuers offering adequate liquidity; and
- reverse repurchase agreements.

## **C. OPTIONAL AND FIRM REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS**

### **1. Repurchase and reverse repurchase transactions**

Repurchase agreements consist of transactions governed by an agreement whereby a party sells securities or instruments to a counterparty, subject to a commitment to repurchase them, or substituted securities or instruments of the same description, from the counterparty at a specified price on a future date specified, or to be specified, by the transferor. Such transactions are commonly referred to as repurchase agreements for the party selling the securities or instruments, and reverse repurchase agreements for the counterparty buying them.

Firm repurchase transactions consist of transactions in which, on maturity, the seller is obliged to take back the assets sold under the repurchase agreement and the buyer is obliged to return the assets acquired under the repurchase agreement.

Where specified in the relevant Appendix for a given Sub-Fund, the Sub-Fund, may enter into repurchase agreements and/or firm repurchase transactions as buyer or seller of securities or instruments subject to the provisions of this section.

Each Sub-Fund may act either as the purchaser or the seller in the above transactions. However, its involvement in these transactions is subject to the following rules:

#### **a) Rules intended to ensure the successful conclusion of lending transactions**

A Sub-Fund may only use firm or optional repurchase/reverse repurchase agreements if the counterparties in these transactions are leading financial institutions that are subject to prudential supervision rules considered by the CSSF to be equivalent to those provided for in EU legislation and specialise in this type of transaction.

#### **b) Terms and conditions and limits of these transactions**

For the term of a firm repurchase agreement, the Company may not sell the securities involved in the agreement until the counterparty has repurchased the securities or the repurchase period has expired, unless the Sub-Fund has other forms of cover. The Sub-Fund must ensure that it maintains the scale of repurchase transactions at such a level that it is able to meet its redemption obligations at all times. The same conditions shall apply to reverse repurchase agreements, on the basis of a firm purchase and resale agreement in which the Sub-Fund is the purchaser (buyer).

If a Sub-Fund is the seller in a repurchase agreement, for the entire term of the agreement it can neither sell or pledge to a third party, or re-lend the securities lent under the repurchase agreement in any form, unless the Sub-Fund has other forms of cover. When a firm or optional repurchase agreement expires, the Sub-Fund must have the assets required to pay, if necessary, the price agreed for the return of the securities to the Sub-Fund.

The securities involved in the firm or optional repurchase agreement must conform to the Sub-Fund's investment policy and can only be short-term bank certificates or money market instruments as defined by

Directive 2007/16/EC, sufficiently liquid bonds issued by non-government issuers or the securities referred to in points b, c and f of Section B. (i) above.

## 2. Buy sell back transactions

Buy-sell back transactions consist of transactions, not being governed by a repurchase agreement or a reverse repurchase agreement as described above, whereby a party buys or sells securities or instruments to a counterparty, agreeing, respectively, to sell to or buy back from that counterparty securities or instruments of the same description at a specified price on a future date. Such transactions are commonly referred to as buy-sell back transactions for the party buying the securities or instruments, and sell-buy back transactions for the counterparty, selling them.

Where specified in its Sub-Fund Appendix, a Sub-Fund may enter into buy-sell back transactions as buyer or seller of securities or instruments. Buy-sell back transactions are, in particular, subject to the following conditions:

- (i) The counterparty must be a first class financial institution from OECD subject to prudential supervision rules considered by the CSSF as equivalent to those provided by Community law and approved by the Management Company, that specialises in this type of transaction and that is of good reputation and a good rating; and
- (ii) The Sub-Fund must be able, at any time, to terminate the agreement or recall the full amount of cash in a buy sell back transaction (on either an accrued basis or a mark-to-market basis) or any securities or instruments subject to a buy- sell back transaction. Fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow cash or assets to be recalled at any time.

All revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs and fees, will be returned to the relevant Sub-Fund. In particular, fees and costs 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 for an amount of maximum 50 % of the revenues generated from the use of these instruments. Such fees may be calculated as a percentage of gross revenues earned by the Company 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 Depository or the Management Company – will also be available in the annual report of the Company.

## VI. COUNTERPARTY AND MANAGEMENT OF COLLATERAL FOR OTC FINANCIAL DERIVATIVE TRANSACTIONS

Each Sub-Fund may invest into financial derivative instruments that are traded “over-the-counter” (“OTC”) including, without limitation, total return swaps or other financial derivative instruments with similar characteristics, in accordance with the conditions set out in this sections and the investment objective and policy of the Sub-Fund as detailed in the relevant Appendix.

The counterparties to any OTC financial derivative transactions, such as total return swaps or other financial derivative instruments with similar characteristics, entered into by the Company, for each Sub-Fund, are selected from a list of authorized counterparties established with the Management Company.

The counterparties to EMT must be establishments:

- authorised by a financial authority;
- subject to prudential supervision;
- and either be located in the EEA or in a country belonging to the Group of ten or have at least an investment grade rating. Considering such criteria, the legal form of the counterparties shall not be relevant;
- specialised in such transactions; and
- in accordance with the standard terms laid down by the ISDA, as applicable.

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 under Investment Restrictions .

The annual report of the Company will contain details of (i) the identity of such counterparties, (ii) the underlying exposure obtained through financial derivative transactions, and (iii) the type and amount of collateral received by the Sub-Funds to reduce counterparty exposure.

In particular, each Sub-Fund may employ total return swaps (within the meaning of, and under the conditions set out in, applicable laws, regulations and CSSF circulars issued from time to time, in particular, but not limited to, the SFTR).

All revenues arising from total return swaps or other financial derivative instruments with similar characteristics (including, where applicable, Swap Agreements), net of fees and costs, will be returned to the Sub-Fund. The Company may pay fees and costs, such as brokerage fees and transaction costs, to agents or other third parties for services rendered in connection with total return swaps or other financial derivative instruments with similar characteristics, upon entering into such swaps or other instruments and/or any increase or decrease of their notional amount, and/or out of the revenues paid to a Sub-Fund under such swap or other instruments, as compensation for their services. Recipients of such fees and costs may be affiliated with the Company or the Management Company, as may be applicable, as permitted by applicable laws. Fees may be calculated as a percentage of revenues earned by the Company through the use of such swaps or other instruments. Such fees and costs will amount to maximum 50% of the revenues generated from the use of total return swaps. If the Sub-Fund makes use of such swaps or other instruments, additional information on revenues earned through the use of such swaps or other instruments, the fees and costs incurred in this respect as well as the identity of the recipients thereof, will be available in the Annual Report.

## A. GENERAL PRINCIPLES

Collateral received by a Sub-Fund are such as financial instruments or cash.

The level of collateral is defined in the risk management procedure of the Company.

Where there is a title transfer, collateral received should be held by the Depository or one of its sub-custodians to which the Depository has delegated the custody of such collateral. For other types of collateral arrangement (e.g. a pledge), collateral can be held by a third party custodian which is subject to prudential supervision and which is unrelated to the provider of the collateral.

## B. ELIGIBLE ASSETS AS COLLATERAL

Eligible assets as collateral are the following:

- (i) liquidity;
- (ii) bonds issued and/or guaranteed by an OECD Member State or by the territorial public authorities or by European, regional or world supranational institutions and bodies;
- (iii) shares or units issued by UCIs of the monetary type calculating a net asset value on a daily basis and rated AAA or its equivalent;
- (iv) shares or units issued by UCIs investing in bonds/equities mentioned under points (v) and (vi) below;
- (v) bonds issued and/or guaranteed by high-quality issuers offering an adequate liquidity; or shares quoted or negotiated on a regulated market of a European Union Member State or on a stock exchange of a Member State of the OECD, on the condition that those shares are included in a major index.
- (vi)

## C. APPLICABLE RULES FOR COLLATERAL

Where a Sub-Fund enters into OTC financial derivative transactions and efficient portfolio management techniques, all collateral used to reduce counterparty risk exposure should comply with the following criteria at all times:

- (i) liquidity – any collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing;
- (ii) valuation: collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitability conservative haircuts are in place;
- (iii) issuer credit quality: collateral received should be of high quality;

- (iv) correlation: the collateral received by the Sub-Fund 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;
- (v) collateral diversification: any collateral received other than cash should not represent more than 20% of the Sub-Fund net asset value, even if the Sub-Fund is exposed to different counterparties.

#### D. HAIRCUT POLICY

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts for each asset class taking into account 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 under normal and exceptional liquidity conditions.

Unless specific provision in the supplement, for each Sub-fund:

- the level of collateral required across all efficient portfolio management techniques will be at least 100% of the exposure to the relevant counterparty;
- the maximum counterparty risk resulting from OTC transactions will be 10% of net assets.

This will be achieved by applying the haircut policy set out below:

	Financial instruments	Discount
(i)	Liquidity	0%
(ii)	bonds issued and/or guaranteed by an OECD Member State or by the territorial public authorities or by European, regional or world supranational institutions and bodies	[0%;10%]
(iii)	shares or units issued by UCIs of the monetary type calculating a net asset value on a daily basis and rated AAA or its equivalent	[0%;10%]
(iv)	shares or units issued by UCIs investing in bonds/equities mentioned under points (v) and (vi) below	[0%;40%]
(v)	bonds issued and/or guaranteed by high-quality issuers offering an adequate liquidity	[0%;40%]
(vi)	shares quoted or negotiated on a regulated market of a European Union Member State or on a stock exchange of a Member State of the OECD, on the condition that those shares are included in a major index	[0%;40%]

Non cash collateral received shall not be re-invested, sold or pledged.

#### E. RULES GOVERNING USE OF CASH RECEIVED BY A SUB-FUND

Cash collateral received by a Sub-Fund should be:

- (i) placed on deposit with entities prescribed in section IV.A.6) of this Prospectus;
- (ii) invested in high-quality government bonds;
- (iii) used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and that the Company, for each Sub-Fund, is able to recall at any time the full amount of cash on accrued basis;
- (iv) invested in short-term money markets funds.

#### F. CERTAIN FINANCIAL INSTRUMENTS AND EPM RISKS

##### OTC financial derivative instruments

In general, there is less government regulation and supervision of transactions in OTC markets than of transactions entered into on organised exchanges. OTC derivatives are executed directly with the counterparty rather than through a recognised exchange and clearing house. Counterparties to OTC derivatives are not afforded the same protections as may apply to those trading on recognised exchanges, such as the performance guarantee of a clearing house.

The principal risk when engaging in OTC derivatives (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a Sub-Fund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not *bona fide*) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Company.

The Company may enter into OTC derivatives cleared through a clearinghouse that serves as a central counterparty. Central clearing is designed to reduce counterparty risk and increase liquidity compared to bilaterally-cleared OTC derivatives, but it does not eliminate those risks completely. The central counterparty will require margin from the clearing broker which will in turn require margin from the Company. There is a risk of loss by a Company of its initial and variation margin deposits in the event of default of the clearing broker with which the Company has an open position or if margin is not identified and correctly report to the particular Company, in particular where margin is held in an omnibus account maintained by the clearing broker with the central counterparty. In the event that the clearing broker becomes insolvent, the Company may not be able to transfer or "port" its positions to another clearing broker.

EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation or EMIR) requires certain eligible OTC derivatives to be submitted for clearing to regulated central clearing counterparties and the reporting of certain details to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty risk in respect of OTC derivatives which are not subject to mandatory clearing. Ultimately, these requirements are likely to include the exchange and segregation of collateral by the parties, including by the Company. While some of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods and certain key issues have not been finalised by the date of this Prospectus. It is as yet unclear how the OTC derivatives market will adapt to the new regulatory regime. ESMA has published an opinion calling for the UCITS Directive to be amended to reflect the requirements of EMIR and in particular the EMIR clearing obligation. However, it is unclear whether, when and in what form such amendments would take effect. Accordingly, it is difficult to predict the full impact of EMIR on the Company, which may include an increase in the overall costs of entering into and maintaining OTC derivatives.

Investors should be aware that the regulatory changes arising from EMIR and other applicable laws requiring central clearing of OTC derivatives may in due course adversely affect the ability of the Sub-Funds to adhere to their respective investment policies and achieve their investment objective.

Investments in OTC derivatives may be subject to the risk of differing valuations arising out of different permitted valuation methods. Although the Company has implemented appropriate valuation procedures to determine and verify the value of OTC derivatives, certain transactions are complex and valuation may only be provided by a limited number of market participants who may also be acting as the counterparty to the transactions. Inaccurate valuation can result in inaccurate recognition of gains or losses and counterparty exposure.

Unlike exchange-traded derivatives, which are standardised with respect to their terms and conditions, OTC derivatives are generally established through negotiation with the other party to the instrument. While this type of arrangement allows greater flexibility to tailor the instrument to the needs of the parties, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if the agreement is deemed not to be legally enforceable or not documented correctly. There also may be a legal or documentation risk that the parties may disagree as to the proper interpretation of the terms of the agreement. However, these risks are generally mitigated, to a certain extent, by the use of industry-standard agreements such as those published by the International Swaps and Derivatives Association (ISDA).

##### Securities lending, repurchase and reverse repurchase agreements

Securities lending transactions, repurchase, reverse and repurchase agreements transactions and buy-sell back transactions involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in securities lending transactions, repurchase and reverse repurchase agreements is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Sub-Fund as required by the terms of the

transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described below.

Securities lending transactions, repurchase and reverse repurchase agreements and buy-sell back transactions also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Sub-Fund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Company to meet redemption requests. The Sub-Fund may also incur operational risks such as, *inter alia*, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

#### **Collateral management**

Counterparty risk arising from investments in OTC financial derivative instruments and securities lending transactions, repurchase and reverse repurchase agreements is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, transactions may not be fully collateralised. Fees and returns due to the Sub-Fund may not be collateralised. If a counterparty defaults, the Sub-Fund may need to sell non-cash collateral received at prevailing market prices. In such a case the Sub-Fund could realise a loss due, *inter alia*, to inaccurate pricing or monitoring of the collateral, adverse market movements, deterioration in the credit rating of issuers of the collateral or illiquidity of the market on which the collateral is traded. Difficulties in selling collateral may delay or restrict the ability of the Sub-Fund to meet redemption requests.

A Sub-Fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty as required by the terms of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

### **VII. RISK MANAGEMENT**

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Luxembourg UCITS are subject to certain risk management rules as set forth in CSSF Circular 11/512.

The Management Company must employ a risk-management process which enables it to monitor and measure at any time the risk of the positions in its portfolio and their contribution to the overall risk profile of its portfolio.

In accordance with the Law of 2010 and applicable regulations, in particular Circular CSSF 11/512, the Management Company uses a risk management process which enables it to assess the exposure of the Company to market, liquidity and counterparty risks, as well as to other material risks, including operational risks of the Company.

The global exposure of a Sub-Fund may be calculated with either the Value at Risk (VaR) approach or the commitment approach. As part of the risk management process, unless otherwise specified in the relevant Appendix the Management Company uses the commitment approach to monitor and measure its global exposure.

#### **Commitment approach**

Unless otherwise provided for under the relevant Appendix the Sub-Funds may apply the commitment approach to calculate their global exposure due to the use of financial derivative instruments, in accordance with their commitments.

Each Sub-Fund applying the commitment approach to calculate its global exposure shall ensure that its global exposure due to the use of financial derivative instrument will not exceed the total Net Asset Value of its portfolio.

#### **Value at Risk methodology (VaR)**

As specified in the Appendix certain Sub-Funds apply the Value at Risk approach (VaR) to calculate their global exposure.

The Value at Risk is a method measuring the potential loss of a given Sub-Fund due to market risks. The Value at Risk assesses the maximum potential loss over a period of 20 business days at a 99% confidence interval.

The Appendices of Sub-Funds using the Value at Risk methodology provides the expected level of leverage of the portfolio. Within this context, the leverage is an assessment of the total use of derivatives and refers to the sum of notional exposures of financial derivatives contracts used, without any compensation mechanism. In so far, as this calculation does not take into account any decrease or increase related to a financial instrument, nor any changes of sensibilities of the notional exposure of financial derivatives instruments to the market, it can mis-assess the real level of risk of a Sub-Fund.

The VaR approach may be absolute or relative.

#### **(a) Absolute VaR approach**

The absolute VaR calculation of a given Sub-Fund represents a percentage of its Net Asset Value with a maximum threshold of 20% as defined in the ESMA's guideline 10-788. The absolute VaR approach is generally an adequate method when a reference portfolio or benchmark is not available, for example, for Sub-Fund aiming at producing absolute returns.

#### **(b) Relative VaR approach**

The relative VaR approach is used for a Sub-Fund for which a reference portfolio or a benchmark exclusive of financial derivatives instruments and similar to the Fund's investment strategy has been defined. The relative VaR of a Sub-Fund consists of a multiple of the VaR of the reference portfolio or benchmark, and shall not be greater than twice the VaR of the reference portfolio.

### **VIII. SHARES**

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#### **1. GENERAL PRINCIPLES**

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The Company's capital is represented by the assets of the Company's various Sub-funds. Subscriptions are invested in the assets of the relevant Sub-fund.

#### **A. SHARE CLASSES**

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As indicated previously, the Board of Directors may create as many Sub-funds as it considers necessary, in accordance with the criteria and terms and conditions to be defined by the Board.

Within a Sub-fund, the Board of Directors may establish share classes (hereinafter a "Class" or "Classes") corresponding to (i) a specific distribution policy, such as entitling the holder to distributions ("Distribution Shares"), or not entitling the holder to distributions ("Accumulation Shares"), and/or (ii) a specific structure for issue or redemption fees, and/or (iii) a specific structure for management or investment advisory fees, and/or (iv) a specific structure for fees payable to the distributors or the Company, and/or (v) the currency in which the Class may be offered, and/or (vi) the use of different hedging techniques, especially currency swaps or forwards, in order to protect, in the reference currency of the Sub-fund in question, the assets and returns expressed in the currency of the share Class in question, and/or (vii) any other specific feature applicable to a share Class.

Unless indicated to the contrary in the Appendices, Share Classes offered in a currency other than the reference currency of the Sub-fund in question shall make systematic use of the hedging techniques referred to in point (vi) above. However, the Management Company is unable to guarantee that the risk will be perfectly hedged at all times.

The Board of Directors may also create Share Classes reserved for institutional investors, as defined below.

"Institutional Investor" has the meaning used in Article 174(2) of the Law of 2010, and includes in particular:

- credit institutions and other financial sector professionals, based in Luxembourg or elsewhere, that invest either (i) in their own name or on their own account, or (ii) in their own name on behalf of an Institutional Investor or (iii) in their own name on behalf of a third party as part of a discretionary investment agreement, provided such third party has no direct right against the Company;

- insurance and reinsurance companies, including as part of a unit-linked endowment policy (*contrat d'assurance-vie*), provided that (i) the insurance company is the only subscriber in the Company and (ii) the insured and/or beneficiaries of such policies are not entitled to receive shares in the Company on maturity or cancellation of said policy;
- pension funds and schemes, provided that the beneficiaries of these funds or schemes have no direct right against the Company;
- collective investment schemes based in Luxembourg or elsewhere, even if the investors in these schemes cannot be categorised as Institutional Investors;
- local authorities such as regional authorities, provinces, cantons and municipalities, provided that such local authorities are investing their own funds;
- holding companies and similar entities (i) all of whose shareholders are Institutional Investors or (ii) not all of whose shareholders are Institutional Investors, provided that either (a) these companies are real companies with their own structures and business activities and hold significant financial interests, or (b) these companies can be regarded as "family" holding companies (or similar entities) through which a family or a branch of a family holds significant financial interests;
- industrial or financial groups;
- foundations that hold other significant financial investments and exist independently of their beneficiaries.

The shares of each Sub-fund shall have no par value and shall not offer any preferential subscription rights when new shares are issued. Each share shall entitle the holder to one vote at General Meetings of Shareholders.

All the Company's shares must be fully paid-up.

Before subscribing, investors should ascertain, in the Appendices found at the end of the Prospectus, which share Classes are available for each Sub-fund.

Shares are issued at the subscription price on the applicable Valuation Day, which is defined in section VII. "Net Asset Value" of this Prospectus.

Shareholders may request the conversion of all or part of their shares, in accordance with the limits and conditions set out in point 4 of this section.

## **B. DIVIDENDS**

Accumulation Shares and/or Distribution Shares may be issued within each Sub-fund or Share Class.

Without prejudice to the specific characteristics of one or more Sub-funds, Accumulation and Distribution Shares are differentiated mainly by the fact that Accumulation Shares retain their income in order to reinvest it. Conversely, each year at the General Meeting of Shareholders for holders of Distribution Shares of each Sub-fund in question, the Meeting will decide, based on the proposals of the Board of Directors, to pay a dividend, which shall be calculated in accordance with the relevant legal and regulatory limits.

If a dividend is distributed to Distribution Shares, the assets attributable to shares of this Class shall be reduced by the total amount of the dividend, while the net assets attributable to Accumulation Shares shall remain unchanged.

Any payment of a dividend shall result therefore in an increase in the ratio between the value of the Accumulation Shares and that of the Distribution Shares of the Sub-fund in question. This ratio is referred to as 'parity' in this Prospectus.

Shareholders may, at any time and free of charge, exchange their Distribution Shares for Accumulation Shares within a Sub-fund's Class, and vice versa. This exchange shall be carried out on the basis of the parity at that time.

## **C. FORM OF SHARES**

Shares are issued in registered form.

## **D. CERTIFICATES AND FRACTIONS OF SHARES**

For registered shares, shareholders shall receive confirmation of their registration in the shareholders' register. Registered share certificates are issued only on express request from the shareholder.

The Company may decide to issue fractions of shares. These fractions of shares do not confer a voting right on their holder, but enable them to participate in proportion to the net assets of the Company. Only full shares, irrespective of their net asset value, entitle the holder to a vote at General Meetings of Shareholders.

Fractions of shares, up to four decimal points, may also be issued.

Registered share certificates may be issued for all shares and/or fractions of shares subscribed.

## **2. SHARE SUBSCRIPTIONS**

### **A. IMPORTANT INFORMATION**

The Board of Directors reserves the right to:

- refuse all or part of a share subscription/conversion request;
- redeem, at any time, shares held by persons not authorised to buy or hold shares of the Company.

The Board of Directors is authorised to set, for each Class and for each Sub-fund, minimum subscription, conversion, redemption and holding amounts. These amounts are stated for each Sub-fund in the Appendices found at the end of the Prospectus. If an investor holds within the same Sub-fund or the same Class, shares whose amount is less than the initial subscription or minimum holding amount, the Board of Directors may force the redemption of the remaining shares held.

### **B. SUBSCRIPTION PROCEDURES**

All procedures relating to subscriptions undertaken during the Sub-fund's launch period (the "Initial Subscription Period") are explained in the description of each Sub-fund.

At the end of the Initial Subscription Period, the issue of shares shall take place on each Valuation Day in accordance with the procedure set forth in the Appendices found at the end of the Prospectus.

The Company may decide that in certain Sub-funds new subscriptions shall not be accepted following the Initial Subscription Period or when the Sub-fund has reached its maximum size. Such restrictions governing new subscription requests shall be mentioned in the Appendices for the Sub-funds concerned.

Subscription formalities are completed by duly filling in and signing a subscription form, which is delivered to the Registrar and Transfer Agent.

The subscription price for the various classes of share corresponds to the net asset value per Class, calculated in accordance with section VII, plus any subscription and/or distribution fees, whose rates are indicated for each Sub-fund in the Appendices found at the end of the Prospectus.

The term "Business Day" as used herein excludes Saturdays, Sundays and national and bank holidays in France.

Subscription requests relating to a Sub-fund must be received by the deadlines stipulated in each Appendix by the Registrar and Transfer Agent and at other institutions designated by the Company in order to be processed, if accepted, on the net asset value calculated on the basis of the closing prices available in Luxembourg on the Valuation Day. Subscription requests received after the deadlines specific to each Sub-fund shall be processed on the following Valuation Day.

### **C. SUBSCRIPTION PAYMENTS**

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Payment for shares must be made to the Depositary in the reference currency of the relevant Sub-fund or Class within the Sub-fund in question, or in any other currency selected by the Board of Directors and stated, if applicable, in the relevant Sub-fund's description, within the deadline for each Sub-fund stipulated in the Appendices found at the end of the Prospectus. Failing this, the Board of Directors reserves the right to force the redemption of the shares.

The Company may, under its responsibility and in accordance herewith, accept listed securities denominated in the currencies mentioned above as payment for a subscription if it considers this to be in the interests of the shareholders. However, securities of companies accepted as payment for a subscription must be compatible with the relevant Sub-fund's investment policy. In this case, the subscription shall be exempt from the subscription fee that would normally be paid to the Sub-fund, if such a right is provided for under the Sub-fund concerned.

For all securities accepted as payment for a subscription, a valuation report shall be drawn up by the Company's auditor stating, in particular, the quantity, name and valuation method used for these securities. This report shall also specify the total value of the securities expressed in the currency of the relevant Sub-fund. The investor in question shall be liable for the cost of this report. The securities accepted as payment for a subscription are estimated, for the purposes of the transaction, at the latest market bid price quoted on the Valuation Day corresponding to the net asset value applicable to the subscription. The Company's Board of Directors may, at its discretion, reject any securities offered as payment for a subscription, without having to justify their decision.

Any taxes or brokerage fees payable in connection with the subscription shall be for the account of the subscriber. In no event may these charges exceed the maximum authorised by the laws, regulations and banking practices of the countries where the shares are purchased.

### **D. SUSPENSION OF SUBSCRIPTIONS**

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The Board of Directors may, at any time, suspend or interrupt the issue of shares of a Sub-fund of the Company. It may, in particular, do so under the circumstances described in section VII, point D of this Prospectus.

If the Board of Directors decides to resume the issue of shares of one or more Sub-funds after having suspended the issue for any period whatsoever, all pending subscriptions shall be executed on the basis of the same net asset value corresponding to the Valuation Day following the resumption of calculation.

### **E. ANTI-MONEY LAUNDERING PROCEDURES**

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In accordance with the current laws and regulations in Luxembourg relating to combating money laundering, particularly the CSSF circulars, as amended, obligations have been defined to prevent the use of collective investment schemes, such as the Company, for money laundering. An investor identification procedure has therefore been implemented. It states that for individuals, a photocopy of the investor's passport or identity card must be included with the subscription form, and/or for legal entities, a copy of the Articles of Association and extract from the Trade and Companies Register (this copy must be certified as a true copy by one of the following authorities: embassy, consulate, notary, local police or any other authority defined on a case-by-case basis by the Company). The Board of Directors may waive the application of this identification procedure in the following cases:

- a) Subscription through a financial sector intermediary domiciled in a country that imposes an identification obligation equivalent to that stipulated under Luxembourg legislation on money laundering;
- b) Subscription through a financial sector intermediary or nominee whose parent company is subject to an identification obligation equivalent to that stipulated under Luxembourg legislation on the prevention of money laundering, and if the legislation applicable to said parent company imposes an equivalent obligation on its subsidiaries or branches.

In general, financial sector professionals residing in a country that ratifies the conclusions of the Financial Action Task Force (FATF) are deemed to be subject to an identification obligation equivalent to that stipulated under Luxembourg legislation.

The Board of Directors may, at its discretion, and in the interests of the Company, reject any subscription for shares. In addition, the Board of Directors may, at its discretion, and at all times in the interests of the Company,

redeem, at any time, any shares illegally subscribed or held.

Such information communicated to the Board of Directors shall only be collected for the purposes of complying with anti-money laundering legislation.

### **F. PREVENTION OF LATE TRADING AND MARKET TIMING**

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Late trading means accepting a subscription, conversion or redemption order that was received after the cut-off time on a given day, and executing said order at a price based on the net asset value applicable on that day.

The Board of Directors considers that the practice of late trading cannot be permitted as it infringes the provisions of the Prospectus, which state that an order received after the cut-off time must be executed at a price based on the next applicable net asset value. As a consequence, share subscriptions, redemptions and conversions shall be carried out at an unknown net asset value. The cut-off time for subscriptions, redemptions and conversions is stated in the Appendices to this Prospectus.

Market timing is an arbitrage technique in which an investor subscribes and redeems, or systematically converts shares or units from the same fund within a short timeframe, thereby exploiting time differences and/or the imperfections or deficiencies of the system that determines the fund's net asset value.

The Board of Directors considers that the practice of market timing cannot be permitted, as it could hamper the Company's performance by increasing costs and/or diluting profits. As a consequence, the Board of Directors reserves the right to reject subscription and conversion orders, or to apply, in addition to any applicable subscription, conversion or redemption fees, a fee of up to 2% of the value of these orders. The investor must pay this fee to the Company if the Company suspects the investor is using such practices. The Company shall, if necessary, take the necessary measures to protect the other investors in the Company.

Under no circumstances shall the Company be held responsible for any loss resulting from the rejection of an order.

### **3. REDEMPTION OF SHARES**

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Shareholders may request, on each Valuation Day, the redemption of all or some of the shares they hold in return for a cash payment.

Redemption requests, which are considered to be irrevocable, should be sent to the Registrar and Transfer Agent. This request must contain the following information: the identity and exact address of the person requesting the redemption, the number of shares to be redeemed, the Sub-fund to which these shares correspond, the share Class and the currency in which the redemption should be made.

Redemption requests are no longer accepted after the cut-off times stated in the relevant Sub-fund's Appendix. All requests received prior to the cut-off times indicated for each Sub-fund will be executed at the net asset value, calculated on the basis of the closing prices available in Luxembourg on the Valuation Day of the Sub-fund in question. Requests received after these deadlines will be processed the following Valuation Day.

For each share presented, the amount refunded to the shareholder is equal to the net asset value on the Valuation Day for the Sub-fund concerned, less, where applicable, a redemption fee whose rates can be found in the Appendix for each Sub-fund. The redemption value may be greater than, less than or equal to the purchase value.

For each Sub-fund, the proceeds of the redemption shall be paid at the intervals indicated in the Appendices found at the end of the Prospectus.

In exceptional circumstances, the Board of Directors may accept, on express request from the investor, requests for redemptions in kind. For all securities delivered as payment for a redemption, a valuation report will be drawn up by the Company's auditor showing the quantity, name and valuation method used for these securities. This report shall also state the total value of the securities expressed in the relevant Sub-fund's currency. The shareholder in question shall be liable for the costs of allocating the assets and of the report. Securities delivered as payment for a redemption are estimated, for the purposes of the transaction, at the last market offer price listed on the Valuation Day with reference to the net asset value applicable to the redemption. In the event of a redemption in kind, the Board of Directors shall ensure that such a redemption does not harm the interests of the remaining shareholders.

Suspension of the calculation of the net asset value of the Company's assets results, in addition to the

suspension of share issues, in that of redemptions and conversions. Shareholders that have submitted redemption requests whose execution has been postponed or suspended, shall be notified by any appropriate means of such suspension, in accordance with section VII, point D of this Prospectus.

If for a given Valuation Day, the total of net redemption requests received for a Sub-fund involves more than 10% of the relevant Sub-fund's assets, the Board of Directors may decide to reduce or postpone any redemption requests received on a pro rata basis so as to reduce the number of shares redeemed to date to 10% of the relevant Sub-fund's assets. Any redemption request postponed in this manner shall be processed prior to the redemption requests received on the next Valuation Day, subject to the aforementioned 10% limit.

#### 4. SHARE CONVERSIONS

Unless specified to the contrary in the Appendices found at the end of the Prospectus, shareholders may request to convert all or part of the shares they hold into a given Class of a Sub-fund:

- into shares of another Class, denominated in the same currency, of the same Sub-fund; or
- into shares of the same Class, denominated in the same currency, of another Sub-fund; or
- into shares of another Class, denominated in the same currency, of another Sub-fund.

In other words, unless specified to the contrary in the Appendices found at the end of the Prospectus, it is not possible to convert the shares of a given Sub-fund into shares of another Class denominated in another currency of the same Sub-fund or another Sub-fund.

The Company's Board of Directors may, for each Sub-fund, decide to temporarily close subscriptions, including via share conversions from another Class or another Sub-fund into shares of one or more share Class(es).

A conversion is treated as a share redemption and subscription transaction. Accordingly, conversions must comply with the redemption rules applicable to the original Sub-fund and to the subscription rules applicable to the new Sub-fund, particularly with regard to holding limits, eligibility of shareholders etc.

The Registrar and Transfer Agent must be notified of any conversion request by post, telex or fax, stating the name of the Sub-fund, the Class and the number of shares to be converted, together with the name of the Sub-fund and Class into which the shares shall be converted. If these details are not provided, the conversion shall be undertaken in shares of the same Class.

Conversion requests received before the deadline stipulated in the Appendix to the Sub-fund in question will be executed on the basis of the net asset values of the applicable Valuation Day. Conversion requests received after these deadlines will be processed on the following Valuation Day.

A conversion cannot be carried out if the calculation of the net asset value of one or more Classes concerned is suspended (refer to point D, section VII of this Prospectus). In addition, in the event of a high number of requests, conversions may also be delayed under the same conditions as those applicable to redemptions.

The rate at which all or some of the shares of a given Sub-fund (the "Original Sub-fund") are converted into shares of another Sub-fund (the "New Sub-fund") is determined in accordance with the following formula:

$$A = \frac{B \times C}{D}$$

A being the number of shares of the New Sub-fund to be allocated;  
B being the number of shares of the Original Sub-fund to be converted;  
C being the net asset value per share of the Original Sub-fund dated on the valuation day concerned;  
D being the net asset value per share of the new Sub-fund dated on the valuation day concerned.

Following the conversion, shareholders shall be informed of the number of shares of the new Sub-fund they have been allocated following the conversion and their price.

#### 5. STOCK MARKET LISTING

On decision of the Board of Directors, the shares of the Company's Sub-funds and Classes may be listed on the Luxembourg Stock Exchange. In this case, the listing of shares shall be indicated in the Appendix section of the relevant Sub-fund(s) found at the end of the Prospectus.

#### IX. NET ASSET VALUE

##### A. DEFINITION AND CALCULATION OF THE NET ASSET VALUE

The net asset value per share for each of the Company's Sub-funds and share Classes is calculated in Luxembourg by the Administrative Agent, under the responsibility of the Company's Board of Directors. The net asset value is calculated at least twice per month, on the days specified in the Appendices (hereinafter the "Valuation Day").

Net asset values are expressed in the reference currency of the Sub-fund and share Classes in question.

The value of the shares of each Sub-fund and Class is obtained by dividing the net asset value of the assets of the Sub-fund and Class in question by the number of outstanding shares of these Sub-funds and Classes.

If the Board of Directors believes that the net asset value calculated for a given Valuation Day does not reflect the true value of the Company's shares, or if since the calculation of the net asset value there have been significant movements on the stock markets in question, the Board of Directors may decide to update the net asset value on that day. In these circumstances all subscription, redemption and conversion requests received for that day shall be honoured on the basis of the net asset value, updated with prudence and in good faith.

##### B. DEFINITION OF POOLS OF ASSETS

For each Sub-fund, the Board of Directors shall establish a separate pool of net assets. With regard to the relationships between shareholders and vis-à-vis third parties, this pool shall be allocated solely to shares issued for the given Sub-fund, taking into account the breakdown of this pool of assets among the various share Classes of this Sub-fund, in accordance with the provisions hereof.

In order to establish these various pools of assets, corresponding to a Sub-fund or to two or more share Classes of a given Sub-fund, the following rules shall apply:

- (i) If two or more share Classes relate to a given Sub-fund, the assets allocated to these Classes shall be invested together in accordance with the relevant Sub-fund's investment policy, subject to the specific features associated with these share Classes.
- (ii) Income generated from the issue of shares from a given Sub-fund's share Class shall be allocated in the Company's books to the Class in question of this Sub-fund, on the understanding that if several share Classes are issued for this Sub-fund, the corresponding amount shall increase the proportion of net assets of this Sub-fund attributable to the Class of shares to be issued.
- (iii) Assets, liabilities, income and any costs relating to a Sub-fund shall be allocated to the share Class(es) corresponding to this Sub-fund.
- (iv) If an asset derives from another asset, this asset shall be allocated in the Company's books to the same Sub-fund as the original asset and whenever an asset is subsequently valued, the increase or decrease in the value shall be allocated to the corresponding Sub-fund.
- (v) If the Company incurs a liability attributable to an asset of a given Sub-fund or to a transaction undertaken in relation to an asset of a given Sub-fund, this liability shall be allocated to this Sub-fund.
- (vi) If an asset or a liability of the Company cannot be allocated to a given Sub-fund, this asset or liability shall be allocated to all Sub-funds in proportion to the net asset value of the share Classes concerned, or in a manner that the Board of Directors shall determine in good faith.
- (vii) Following dividend distributions to holders of a share Class, the net asset value of this Class attributable to these distribution shares shall be reduced by the amount of these dividends.

### C. VALUATION OF ASSETS

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The assets of each Sub-fund of the Company shall be valued in accordance with the following principles:

- (i) The value of cash in hand or on deposit, sight drafts, bills and receivables, prepaid expenses, and dividends and interest payable shall consist of the nominal value of these assets, except where it appears unlikely that this value will be received. However, if it proves unlikely that this value will be received in full, the value shall be calculated by deducting an appropriated amount to reflect the true value of these assets;
- (ii) The valuation of Transferable Securities and Money Market Instruments (i) listed or traded on a Regulated Market or (ii) traded on Another Regulated Market or (iii) listed on a stock exchange of Another State or traded on Another Regulated Market of Another State, is based on the last known closing price on the Valuation Day and if these securities are traded on several markets, on the basis of the last known closing price of the main market for these securities on the Valuation Day. If the last known closing price of a given Valuation Day is not representative, the valuation shall be based on the probable market value estimated with prudence and in good faith;
- (iii) Securities that are not listed or traded on a Regulated Market or on Another Regulated Market shall be valued on the basis of their probable market value, estimated with prudence and in good faith;
- (iv) The liquidation value of forward contracts and options contracts that are not traded on Regulated Markets or on Other Regulated Markets shall be equivalent to their net liquidation value determined on a basis applied consistently to each type of contract. The liquidation value of forward contracts or options contracts traded on Regulated Markets or on Other Regulated Markets shall be based on the last available settlement price for these contracts on the Regulated Markets or on Other Regulated Markets on which these forward contracts or options contracts are traded by the Company. If a forward contract or options contract cannot be liquidated on the day the net assets are valued, the basis used to determine the liquidation value of this contract shall be determined in a fair and reasonable manner;
- (v) Interest rate swaps shall be valued at their market value determined by reference to the applicable rate curves. Index swaps or swaps on financial instruments shall be valued at their market value determined by reference to the index or financial instrument in question. The valuation of swap contracts relating to these indices or financial instruments shall be based on the market value of these swap transactions,
- (vi) If so permitted in practice, liquid assets, Money Market Instruments and all other instruments may be valued at the last known closing prices on the Valuation Day or using the straight-line depreciation method. In the case of straight-line depreciation, the portfolio's positions shall be reviewed regularly in order to determine whether there is a divergence between valuations using the last known closing prices and valuations using straight-line depreciation. If there is a difference likely to result in significant dilution or which is detrimental to shareholders, the appropriate corrective measures may be taken, including, if necessary, the calculation of the net asset value using the last known closing prices;
- (vii) The values expressed in a currency other than the Sub-fund's reference currency are converted at the foreign exchange rate on the Valuation Day. If the foreign exchange rates are not available, they are determined with prudence and in good faith,;
- (viii) All other assets are valued on the basis of the probable market value, which must be estimated with prudence and in good faith;
- (ix) Open-ended target funds are valued on the basis of their last net asset value available in Luxembourg;
- (x) The value of Contracts For Difference shall be determined by reference to the market value of the underlying asset, taking into account the costs inherent in the transaction (i.e. borrowing cost, remuneration of collateral or cost of funding for the counterparty where applicable);
- (xi) The Board of Directors may, at its discretion, permit the use of another valuation method, if it believes that such a valuation would better reflect the true value of a Company's asset.

If it becomes apparent that one or more listing providers was unable to provide prices to the Administrative Agent and that the valuation procedures defined by the Board of Directors were not applied, the Administrative Agent shall immediately inform the Board of Directors or the Management Company who shall in turn inform the Board of Directors accordingly. The Board of Directors may then decide to suspend the calculation of the net asset value, in accordance with the procedures described below. If necessary, the

Administrative Agent shall be authorised not to carry out a calculation of the net asset value, and as a consequence not to determine the subscription and redemption prices.

Appropriate deductions shall be made for expenses to be borne by the Company and the Company's liabilities shall be taken into account according to equitable and prudent criteria. To this end, suitable provisions shall be booked and the Company's off balance sheet commitments shall be taken into account, on the basis of equitable and prudent criteria.

### D. SUSPENSION OF CALCULATION OF THE NET ASSET VALUE, SHARE ISSUES, CONVERSIONS AND REDEMPTIONS

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A. The Board of Directors may at any time temporarily suspend the calculation of the net asset value of shares of one or more of the Company's Sub-funds, and issues, redemptions and conversions of shares of these Sub-funds, in the following cases.

- a) If one or more Regulated Markets or Other Regulated Markets that provide prices for a significant proportion of the assets of one or more of the Company's Sub-funds is closed for periods other than normal holidays, or the transactions undertaken on these markets are suspended or subject to restrictions;
- b) If the market of a currency in which a significant proportion of the assets of one or more of the Company's Sub-funds is expressed is closed for periods other than normal holidays, or the transactions undertaken on these markets are suspended or subject to restrictions;
- c) If the means of communication normally used to determine the value of assets of one or more of the Company's Sub-funds is suspended or interrupted or if, for any reason whatsoever, the value of an investment of the Company cannot be determined as quickly and accurately as so required;
- d) If currency restrictions or restrictions on the movement of capital prevent the execution of transactions on behalf of the Company, or when purchase and sale transactions on the Company's behalf cannot be executed at normal exchange rates;
- e) If factors resulting from the political, economic, military, monetary and tax situation and beyond the Company's control, responsibility and capacity to act prevent the disposal of assets of one or more of the Company's Sub-funds and the determination of the net asset value of one or more of the Company's Sub-funds in a normal and reasonable manner;
- f) If the Board of Directors so decides, subject to compliance with the principle of the equal treatment of shareholders and with the applicable laws and regulations, (i) on convening an Extraordinary General Meeting of the Shareholders of the Company or of a Sub-fund to pronounce the liquidation of the Company or of a Sub-fund, or (ii) if the Board of Directors has the power, on deciding to liquidate a Sub-fund;
- g) If the Company is unable to determine the prices of the mutual funds in which the Company has invested a substantial proportion of its assets attributable to a Sub-fund.

B. Any suspension of the calculation of the net asset value of the shares of one or more Sub-funds that lasts more than three Business Days shall be advertised by any suitable means, especially in newspapers in which these prices are usually published. If this calculation is suspended, the Company shall immediately inform the shareholders that have requested the subscription, redemption or conversion of the shares of this/these Sub-funds in an appropriate manner.

During the suspension period, shareholders that have submitted a share subscription, redemption or conversion request may withdraw their request. If their request is not withdrawn, the shares shall be issued, redeemed or converted by reference to the first calculation of the net asset value undertaken following the end of the suspension period.

### X. DIVIDENDS

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#### 1. DISTRIBUTION POLICY

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The General Meeting of Shareholders shall decide, on the Board of Director's proposal, how to distribute the annual net profits as stated in the accounts for the year ended 31 December each year.

It may decide to distribute to the holders of distribution shares their share of the net investment income and any realised or unrealised capital gains, less any realised or unrealised capital losses, and to capitalise in favour of the holders of accumulation shares the corresponding amounts due to them.

The General Meeting of Shareholders reserves the right to distribute the net assets of each Sub-fundSub-fund of the Company, subject to the legal minimum capital limit.

Any resolution of the General Meeting of Shareholders, deciding on the distribution of dividends to shareholders of a Sub-fund, shall be approved by the shareholders of this Sub-fund voting by majority, as indicated in the Articles of Association.

The Board of Directors may decide to pay interim dividends to shareholders of distribution shares.

## **2. PAYMENT**

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Dividends and interim dividends paid in respect of distribution shares shall be paid on the date and at the location specified by the Board of Directors.

Dividends and interim dividends paid but not claimed by a shareholder within five years from the payment date may no longer be claimed and shall be returned to the relevant Sub-fund.

No interest shall be paid on dividends or interim dividends announced and retained by the Company on behalf of shareholders, which shall apply until the statutory limitation period for the dividends or interim dividends.

Distribution of income may only be demanded if currency regulations in force in the beneficiary's country allow for payment thereof.

## **XI. COSTS BORNE BY THE COMPANY**

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### **1. GENERAL**

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The following costs and expenses shall be borne by the Company (this list is not exhaustive):

- incorporation costs, including the costs of printing certificates, the administrative fees required to set up the Company and of obtaining approval by the supervisory authorities, excluding any fees and costs borne by the Management Company;
- fees paid to the Management Company;
- fees paid to the Depositary,
- fees paid to Domiciliary and Listing Agent and, where appropriate, that of any correspondents;
- fees paid to the Administrative Agent, Registrar and Transfer Agent and, where appropriate, those of any correspondents
- remuneration paid to any distributors;
- fees payable to any guarantor, as described in detail in the Appendix/ices of the Sub-fund(s) in question;
- the auditor's charges and fees;
- the legal advisor's charges and fees;
- directors' fees, attendance fees, allowances and/or the refund of expenses paid to directors;
- the costs of publishing and printing documents for shareholders, particularly the costs of printing and distributing interim reports, prospectuses and brochures;
- brokerage fees and commissions incurred by transactions in the portfolio's securities;
- any duties and taxes due on its income;

- the subscription tax together with royalties due to the supervisory authorities, and costs related to distributions of dividends;
- advisory fees and other costs of an extraordinary nature, in particular consultancy fees or legal costs incurred in safeguarding the interests of the shareholders;
- annual stock market listing fees;
- subscriptions to professional associations and other organisations associated with the Luxembourg stock market (hereinafter the "Stock Market") that the Company decides to join, in both its own and its shareholders' interests.

These fees and expenses shall, in principle, be paid from the assets of the various Sub-funds in proportion to their net assets.

With respect to the costs of research and financial analysis, the Management Company sets an annual budget for these expenses. The funding of this budget is divided equitably between the different Sub-Funds sharing the same strategy and benefiting from the same research.

The Management Company only spends money on research if it is necessary to make an informed investment decision in the interest of the Sub-Funds. The management team decides on the allocation of this budget in accordance with this principle and regularly assess the relevance of the research and its value for money.

The Management Company maintains a research payment account funded on the basis of shared brokerage commission arrangements whereby a research fee is levied on the execution of transactions by certain investment service providers providing execution services, in addition to the execution fee. The Management Company defines and then controls the percentage of fees to be charged on each transaction so that the level of research fees charged is ultimately in line with the budgeted amount. The research fees collected are deposited in the research payment account maintained by the Management Company and may only be used to pay research fees to research providers.

Investors can obtain information about the research budget and estimated research fee for each Sub-Fund by contacting the Management Company directly via its website: [www.exane-am.com](http://www.exane-am.com)

The costs associated with the incorporation of the Company, which came to EUR 46,000, have been borne by Exane AM in its capacity as investment manager at the time of the constitution.

All regular general costs shall be deducted initially from current income, and if this is insufficient, from realised gains.

The fees associated with the creation of any new Sub-fund may, at the Board of Director's discretion, be borne by the Management Company, subject to its approval, or by the Sub-fund in question and amortised in the year following the creation of the Sub-fund, or over any other period as determined by the Board of Directors, subject to a maximum of five years from the creation of the Sub-fund.

In the event of the liquidation of a Sub-fund, all unamortised costs associated with the creation of the Sub-fund shall be borne by the Sub-fund being liquidated.

### **2. INVESTING IN OTHER UCITS FUNDS AND/OR OTHER COLLECTIVE INVESTMENT SCHEMES**

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No subscription or redemption fees shall be due from a Sub-fund in respect of units of other UCITS funds and/or other collective investment schemes if such schemes are managed, directly or through a delegation agreement, by the Management Company or by any other company with which the Management Company is connected by joint management or control, or as a result of a significant direct or indirect share ownership.

If a Sub-fund invests a significant proportion of its assets in other UCITS funds and/or other collective investment schemes, the maximum level of management fees that may be invoiced to both the Sub-fund and these other UCITS funds and/or other collective investment schemes is indicated in the Appendix relating to the Sub-fund concerned. The maximum percentage of management fees borne by the Sub-funds and the UCITS funds and/or other collective investment schemes in which they invest is stated in the Company's annual report.

### **3. FEES OF THE DEPOSITARY, ADMINISTRATIVE AGENT, REGISTRAR AND TRANSFER AGENT,**

## DOMICILIARY AND LISTING AGENT

The Depositary, Administrative Agent, Registrar and Transfer Agent, Domiciliary Agent and Listing Agent are entitled to charge a fee on the assets of each Sub-fund, calculated in accordance with current standard industry practices in Luxembourg, details of which can be found in each Appendix.

In addition, any reasonable expenses and advances, including but not limited to, telephone, fax, electronic messaging and postal costs incurred by the Depositary, Administrative Agent, Registrar and Transfer Agent, Domiciliary Agent and Listing Agent in the context of their duties, including correspondents' fees, shall be payable by the Sub-fund in question.

## 4. MANAGEMENT COMPANY'S FEE

Pursuant to the agreement entered into by the Company with the Management Company, the Company shall pay to the Management Company a management fee in accordance with the rates stated in the description of each Sub-fund and, if applicable, a performance fee. The terms and conditions of this performance fee are described in the Appendices of the relevant Sub-funds.

## XII. TAXATION AND OFFICIAL LANGUAGE

### 1. TAXATION

The following information is of a general nature only and is based on the laws and practice in force in Luxembourg and certain other countries as of the date of issue of this Prospectus. It is subject to any change in law that may take effect after such date. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Each investor is responsible to get appropriate advice in that respect. It is a description of the essential material Luxembourg and certain other countries tax consequences with respect to the Shares. Investors should inform themselves of, and when appropriate consult their professional advisers on, the possible tax consequences of subscribing for, buying, holding, redeeming, converting or selling the Shares under the laws of their country of citizenship, residence or domicile. Prospective investors should note that the levels and bases of, and reliefs from, taxation can change. Neither the Company nor their advisors are liable for any loss which may arise as a result of current, or changes in, applicable tax laws, practice and their interpretation by any relevant authority.

P Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present tax section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax laws and/or concepts only. Also please note that a reference to Luxembourg income tax includes corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi), personal income tax (impôt sur le revenu) (as well as a temporary crisis contribution equalisation tax (impôt d'équilibrage budgétaire temporaire contribution de crise) regarding individuals). Corporate taxpayers may further be subject to net worth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax and the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, solidarity surcharge and temporary equalisation tax. Under certain circumstances, where individual taxpayers act in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### A. TAXATION OF THE COMPANY

The Company is as a rule liable in Luxembourg to an annual subscription tax (*taxe d'abonnement*) of 0.05% *per annum* such tax being payable quarterly. The taxable basis of the subscription tax is the aggregate net assets of the Company valued on the last day of each quarter of the civil year.

The subscription tax is however reduced to 0.01% for:

- UCIs whose exclusive object is the collective investment in money market instruments and the placing of deposits with credit institutions;
- UCIs whose exclusive object is the collective investment in deposits with credit institutions; and
- individual compartments of umbrella UCIs referred to in the Law of 2010, as well as for individual classes of securities issued within a UCI or within a compartment of a UCI, provided that the securities of such compartments or classes are reserved to one or more institutional investors.

Are further exempt from the subscription tax:

- the value of the assets represented by units held in other UCIs, to the extent such units have already been subject to the subscription tax provided by the amended law of 13 February 2007 relating to specialized investment funds or by the Law of 2010 relating to UCIs;
- UCIs, as well as individual compartment of umbrella UCIs, (i) whose securities are reserved for institutional investors and (ii) whose exclusive object is the collective investment in money market instruments and the placing of deposits with credit institutions and (iii) whose weighted residual portfolio maturity must not exceed 90 days and (iv) which have obtained the highest possible rating from a recognised rating agency. Where several classes of securities exist within the UCI or the compartment, the exemption only applies to classes whose securities are reserved for institutional investors;
- UCIs whose securities are reserved for (i) institutions for occupational retirement provision, or similar investment vehicles, created on the initiative of one or several employers for the benefit of their employees or (ii) companies of one or several employers investing funds they hold to provide retirement benefits to their employees;
- UCIs as well as individual compartments of UCIs with multiple compartments whose main objective is the investment in microfinance institutions;
- UCIs, as well as individual compartment, (i) whose securities are listed or traded on at least one stock exchange or regulated market operating regularly, recognised and open to the public and (ii) whose sole object is to replicate the performance of at least one indice (*i.e.* exchange-traded funds). Where several classes of securities exist within the UCI or the compartment, the exemption only applies to classes fulfilling condition (i) above.

Capital gains, dividends and interest received by the Company on its investments may be subject in the countries of source to irrecoverable taxation (*e.g.* withholding taxes).

No stamp or other tax is generally payable in Luxembourg in connection with the issue of the Shares by the Company. A fixed registration duty of EUR 75 is levied upon each amendment of the articles of incorporation of the Company.

Under current law in Luxembourg, no Luxembourg tax is payable on the realised capital appreciation of the assets of the Company.

The Company is considered in Luxembourg as a taxable person for value added tax ("VAT") purposes without any input VAT deduction right. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the Company could potentially trigger VAT and require the VAT registration of the Company in Luxembourg as to self-assess the VAT regarded as due in Luxembourg on taxable services (or goods to some extent) purchased from abroad.

No VAT liability arises in principle in Luxembourg in respect of any payments by the Company to its Shareholders, to the extent that such payments are linked to their subscription to the Company's Shares and do not constitute the consideration received for any taxable services supplied.

### B. TAXATION OF SHAREHOLDERS

#### 1) Tax residency of the Shareholders

A Shareholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposal of the Shares or the execution, performance or enforcement of his/her rights thereunder.

#### 2) Income tax

##### 2.1. Luxembourg resident Shareholders

*Luxembourg resident individuals*

Dividends and other payments derived from the Shares by a resident individual Shareholder, who acts in the course of the management of either his/her private wealth or his/her professional/business activity, are subject to income tax at the ordinary progressive rates.

Capital gains realized upon the disposal of the Shares by a resident individual Shareholder, who acts in the course of the management of his/her private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are thus subject to income tax at ordinary rates if the Shares are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual Shareholder holds or has held, either alone or together with his spouse or partner and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the company whose shares are being disposed of. A Shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5-year period). Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are taxed according to the half-global rate method (*i.e.* the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation.

Capital gains realized on the disposal of the Shares by a resident individual Shareholder, who acts in the course of the management of his/her professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

#### *Luxembourg resident companies*

A Luxembourg resident company (*société de capitaux*) must include any profits derived, as well as any gain realized on the sale, disposal or redemption of Shares, in their taxable profits for Luxembourg income tax assessment purposes.

#### *Luxembourg resident entities benefiting from a special tax regime*

Shareholders who are Luxembourg resident companies benefiting from a special tax regime, such as (i) undertakings for collective investment subject to the Law of 2010, (ii) specialized investment funds subject to the amended law of 13 February 2007, (iii) professional pension institution subject to 13 July 2005 as amended and (iv) family wealth management companies governed by the amended law of 11 May 2007, are income tax exempt entities in Luxembourg, and profits derived from the Shares are thus not subject to Luxembourg income tax.

### **2.2. Luxembourg non-residents**

A non-resident, who has neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Shares are attributable, is not liable to any Luxembourg income tax on income received and capital gains realized upon the sale, disposal or redemption of the Shares.

A non-resident having a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable, must include any income received, as well as any gain realized on the sale, disposal or redemption of Shares, in its taxable income for Luxembourg tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold or redeemed.

### **3) Other taxes**

#### *Net worth tax*

A Luxembourg resident, as well as a non-resident who has a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable, are subject to Luxembourg net worth tax on such Shares, except if the Shareholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the Law of 2010, (iii) a securitization company governed by the amended law of 22 March 2004 on securitization, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialized investment fund governed by the amended law of 13

February 2007 or (vi) a family wealth management company governed by the amended law of 11 May 2007 or (vii) a professional pension institution governed by the amended law of 13 July 2005. However, (i) securitization company governed by the amended law of 22 March 2004 on securitization, (ii) a company governed by the amended law of 15 June 2004 on venture capital vehicles and (iii) a professional pension institution governed by the amended law of 13 July 2015 remain subject to a minimum net wealth tax.

#### **Other taxes**

No inheritance tax is levied on the transfer of the Shares upon death of a Shareholder in cases where the deceased was not a resident of Luxembourg for inheritance purposes.

Gift tax may be due on a gift or donation of the Shares if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

### **C. IMPACT OF THE DIRECTIVE ON THE TAXATION OF SAVINGS INCOME**

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Capitalized terms used in this section should have the meaning as set forth in the Luxembourg law dated 18 December 2015 on the Common Reporting Standard (the "CRS Law"), unless provided otherwise herein.

On 9 December 2014, the Council of the European Union adopted the Directive 2014/107/EU amending the Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation which now provides for an automatic exchange of financial account information between EU Member States ("DAC Directive"). The adoption of the aforementioned directive implements the OECD's CRS and generalises the automatic exchange of information with the European Union as of 1 January 2016.

In addition, Luxembourg signed the OECD's multilateral competent authority agreement ("Multilateral Agreement") to automatically exchange information under the CRS. Under this Multilateral Agreement, Luxembourg will automatically exchange financial account information with other participating jurisdictions as of 1 January 2016. The CRS Law implements this Multilateral Agreement jointly with the DAC Directive introducing the CRS in Luxembourg law.

Under the terms of the CRS Law, the Company may be required to annually report to the Luxembourg tax authorities, the name, the address, Member State(s) of residence, taxpayer identification number(s), as well as the date and place of birth of (i) each reportable person that is an Account Holder within the meaning of the CRS Law, (ii) and, in the case of a Passive non-financial entity within the meaning of the CRS Law, of each Controlling Person(s) that is a reportable person. Such information may be disclosed by the Luxembourg tax authorities to foreign tax authorities.

The Company or its delegates assumes responsibility for the processing of data and shareholders are entitled to access the information reported to the Luxembourg tax authorities and to request that it be rectified if such information are incorrect or inaccurate. Any information obtained by the Company or its delegates should be treated in accordance with the provision "Personal Data Protection" (section XVI) of the Prospectus.

The Company's ability to satisfy its reporting obligations under the CRS Law will depend on each Shareholder providing the Company with the information, including information regarding direct or indirect owners of each Shareholder, along with the required supporting documentary evidence. Upon request of the Company, each Shareholder shall agree to provide the Company such information.

Although the Company will attempt to satisfy any obligation imposed on it to avoid any taxes or penalties imposed by the CRS Law, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a tax or penalty as result of the CRS Law, the value of the Shares held by the Shareholders may suffer material losses.

Any Shareholder that fails to comply with the Company's documentation requests may be charged with any taxes and penalties imposed on the Company attributable to that Shareholder's failure to provide the information and the Company may, in its sole discretion, redeem the Shares of that Shareholder.

Shareholders should consult their own tax advisor or otherwise seek professional advice regarding the impact of the CRS Law on their investment.

### **D. IMPACT OF THE AMERICAN FISCAL LAW "FATCA"**

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Pursuant to the provisions of American law "FATCA" ("Foreign Account Tax Compliance Act"), the Company has been registered as a « Reporting Model 1 FFI » under the Global Intermediary Identification Number (GIIN) ZBKGNL.99999.SL.442.

Exane Asset Management is registered as a « Reporting Model 1 FFI » under the identifying GIIN number Y6YAJQ.99999.SL.250.

All shareholders are therefore required to provide directly or through the Company's agent to the Company any document required with a view to establish their status in respect of the FATCA regulation. Failure to provide this information may as a result subject the Company to a tax or a penalty. The Company reserves the right to claim from the person concerned the reimbursement of any payment made for this purpose. The Company reserves the right, in addition, to compulsorily redeem the shares of the relevant shareholder in breach.

The Company draws the attention of all investors to the fact that all data related to them may be transmitted to the relevant tax authorities depending on their status in respect of the FATCA regulation.

Shareholder is informed that the FATCA regulation may affect its personal tax situation. Shareholder shall remain informed of the requirement of the FATCA regulation. If there is any doubt about its obligations under the FATCA regulation, Shareholder is invited to consult its fiscal or financial personal advisor.

## **2. OFFICIAL LANGUAGE**

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The official language of this Prospectus and the Articles of Association is French. However, the Company's Board of Directors and the Management Company, the Depositary, the Administrative Agent, the Domiciliary Agent and the Registrar and Transfer Agent may, on their behalf and on behalf of the Company, be considered as bound by the translations into the languages of the countries where the Company's shares are offered and sold. If there are any differences between the French text and any other language into which the Prospectus is translated, the French text shall prevail.

## **XIII. FINANCIAL YEAR - MEETINGS - REPORTS**

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### **1. FINANCIAL YEAR**

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The financial year begins on 1 January and ends on 31 December each year.

The first financial year shall begin on the Company's approval date and shall end on 31 December 2006.

### **2. SHAREHOLDERS' MEETINGS**

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The Annual General Meeting of Shareholders shall take place at 12.00pm on the last Thursday in April in Luxembourg, at the Company's registered office.

If this day is not a business day in Luxembourg, the Annual General Meeting shall take place on the next business day.

Annual General Meetings shall be called by means of a notice, in accordance with the form and deadlines provided for under the Law of 1915.

Similarly, general meetings shall deliberate under the conditions laid down by the Law of 1915.

Each share shall entitle its holder to one vote, irrespective of its net asset value.

Shareholders of the share Class(es) of a Sub-fund may hold General Meetings at any time to deliberate on matters relating solely to said Sub-fund.

In addition, shareholders of any share Class may, at any time, hold general meetings to deliberate on matters relating solely to that Class.

The resolutions taken at such meetings shall apply respectively to the Company, the Sub-fund and/or the share Class concerned.

### **3. PERIODIC REPORTS**

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Annual reports to 31 December certified by the auditor and unaudited semi-annual reports to 30 June shall be made available to shareholders free of charge.

These periodic reports contain all the financial information relating to each of the Company's Sub-funds, to the composition and valuation of their assets and the consolidated position of all the Sub-funds, expressed in euro and drawn up on the basis of the foreign exchange rates applicable on the consolidation date.

The financial statements of each Sub-fund shall be drawn up in the Sub-fund's currency, whereas the consolidated accounts shall be denominated in euro.

Annual reports shall be made available to shareholders within four months following the end of the financial year. Semi-annual reports shall be published and made available to shareholders within two months following the end of the half-year period.

## **XIV. LIQUIDATION OF THE COMPANY - CLOSURE AND MERGER OF SUB-FUNDS OR CLASSES**

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### **1. LIQUIDATION OF THE COMPANY**

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The liquidation of the Company shall be carried out in accordance with the conditions provided for under the Law of 2010.

#### **A. MINIMUM ASSETS**

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If the Company's share capital falls below two thirds of the minimum capital, the directors must submit the question of the dissolution of the Company to the General Meeting of Shareholders deliberating without any quorum requirements and deciding on a simple majority of the shares represented at the meeting.

If the Company's share capital falls below one quarter of the minimum capital, the directors must submit a proposal to dissolve the Company to the General Meeting of Shareholders deliberating without any quorum requirements. The dissolution may be pronounced by shareholders possessing one quarter of the shares represented at the meeting.

The meeting must be convened such that it takes place within forty days from the date on which it is established that the net assets have fallen below two thirds or one quarter, as the case may be, of the minimum capital. In addition, the Company may be dissolved, by decision of a general meeting voting in accordance with the relevant provisions set out in the Company's Articles of Association.

The decisions of the general meeting or of the court pronouncing the dissolution and liquidation of the Company shall be published in the *Mémorial* and in two daily newspapers with adequate circulation, one of which must be a Luxembourg daily newspaper. These publications are made at the request of the liquidator(s).

#### **B. VOLUNTARY LIQUIDATION**

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In the event of the Company being dissolved, the liquidation shall be undertaken by one or more liquidators appointed in accordance with the Company's Articles of Association and with the Law of 2010. This Law specifies the breakdown among the shareholders of the net proceeds from the liquidation after the deduction of the liquidation costs.

Any sums not distributed at the end of the liquidation proceedings shall be deposited with the *Caisse de Consignations* (Bank for official deposits) in Luxembourg, for the benefit of the beneficiaries, until the end of the statutory limitation period.

The issue, redemption and conversion of shares shall be suspended until the decision to dissolve the Company is taken.

### **2. CLOSURE AND MERGER OF SUB-FUNDS OR CLASSES**

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#### **A. CLOSURE OF SUB-FUNDS OR CLASSES**

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If the assets of a Sub-fund or Class fall below EUR 5,000,000, the level below which the Board of Directors considers it impossible to manage effectively, it may decide to close this Sub-fund or Class. The same shall apply in the event of the rationalisation of the range of products it offers to its clients.

The Company's shareholders, particularly the existing shareholders of the relevant Sub-fund or Class, shall be informed of the decision and the procedures relating to the closure by means of a notice in the daily newspapers referred to in point 1.C section XIV "Information - Documents Available to the Public" below. A notice relating to the closure of the Sub-fund or Class shall also be sent to all the registered shareholders of this Sub-fund or Class.

Unless decided otherwise by the Board of Directors, the shareholders of the Sub-fund or Class in question must refrain from requesting the redemption or conversion of their shares until the liquidation decision has been taken.

The net assets of the Sub-fund or Class in question shall be divided among the remaining shareholders of the Sub-fund or Class, after taking closure costs into account. Any sums not distributed to their beneficiaries by the end of the liquidation proceedings for the Sub-fund or Class concerned shall be deposited with the Depositary for a period of nine months. After the expiry of this period, the assets shall be deposited with the *Caisse de Consignation* in Luxembourg, for the benefit of the beneficiaries, until the expiry of the statutory period.

## **B. MERGER OF SUB-FUNDS**

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Under the same conditions as in point A, the Company's Board of Directors may also decide, in the interests of the shareholders, either to merge a Sub-fund with one or more of the Company's other Sub-funds, or to merge the assets and liabilities attributable to a Sub-fund with another collective investment scheme incorporated in Luxembourg and created in accordance with the provisions of Part I of the Law of 2010, or with a Sub-fund within another such collective investment scheme. Such a decision must be published in the manner described below. In addition, the publication must contain information relating to the other collective investment scheme.

In the case of a merger with another mutual fund (*fonds commun de placement*) the merger shall only commit the shareholders of the Sub-fund concerned that expressly approved the merger. Shareholders that did not approve the merger shall have their shares redeemed.

In the event of a merger, a notice relating to the merger transactions for these Sub-funds shall be sent to all of the Sub-funds' registered shareholders. This notice shall also be published in at least one daily or weekly Luxembourg newspaper and in the newspapers of countries where the shares are marketed, as determined by the Board of Directors.

Such announcement shall appear one month prior to the date on which the merger becomes effective to enable the shareholders to request the redemption of their shares free of charge (excluding any local taxes). The Company's auditor shall draw up a valuation report on the merger.

Such mergers may be justified by a variety of economic circumstances, but shall at all times be undertaken in the interests of the shareholders.

Any mergers of Classes shall be carried out in accordance with the procedure described above. Such mergers must be approved by the General Meeting of Shareholders, in accordance with Article 68 of the Law of 1915.

## **XV. USE OF BENCHMARK INDICES**

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Benchmark indices mentioned in a Supplement are administered by the entity as identified in such Supplement acting as administrator (the "Administrator") within the meaning of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, as amended from time to time (the "**Benchmark Regulation**"). The status of the listing on the register of administrators and benchmarks held by the ESMA is indicated in the relevant Supplement.

The Management Company maintains a written plan setting out the actions to be taken in the event that a benchmark it uses materially changes or ceases to be provided. This procedure is available to the Shareholders, free of charge, upon request to the Management Company.

## **XVI. SUSTAINABILITY-RELATED DISCLOSURES**

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Pursuant to EU Regulation (EU) 201/2088 on sustainability -related disclosures in the financial services sector (the "SFDR"), the Management Company is required to disclose the manner in which Sustainability

Risks (as defined below) are integrated into its investment decisions and the results of the assessment of the likely impacts of the Sustainability Risks on the returns of the Sub-Funds.

The impacts of the occurrence of a Sustainability Risk may be numerous and vary according to other specific risks, a region and/or from the asset class(es) to which the Sub-Funds are exposed. Generally, the occurrence of a Sustainability Risk affecting an asset can trigger a negative impact on its value, including a total loss, that could lead to a negative impact on the net asset value of the concerned sub-fund.

The assessment of the likely impact must therefore be conducted at a Sub-Fund's level and further details and specific information are given in the Supplement of each relevant Sub-fund.

"**Sustainability Risk(s)**" means an environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment made by the relevant Sub-Fund. Sustainability Risks can either represent a risk on their own or have an impact on other risks, such as, but without limitation, market risks, operational risks, liquidity risk or counterparty risk, contributing significantly to a Sub-Fund's exposure to these risks.

Sustainability Risks are linked, but not limited to, environmental (including climate-related events resulting from climate change or transition responses), social and/or employee matters (e.g. discrimination, labour relations, accident prevention...), respect for human rights, anti-corruption and anti-bribery matters as well as governance issues ("**Sustainability Factors**").

The assessment of Sustainability Risks is complex and may be based on ESG data which can be difficult to obtain, incomplete, approximated, out of date and/or otherwise materially inaccurate. Even if identified, no guarantee is given as whether these data will be correctly assessed.

When a Sub-Fund follows an extra-financial approach, through the implementation of an ESG investment process, Sustainability Risks intend to be mitigated, without assurance it is completely removed.

In the absence of a sufficiently broad range of comparable data and of sufficiently precise and stabilised regulatory texts, which does not currently allow to ensure that adverse impacts within the meaning of the SFDR regulation are taken into account, the Management Company does not consider principal adverse impacts of investment decisions on Sustainability Factors. This position may be reviewed as the underlying rules are finalised and the availability of reliable data increases over time.

Further information on the integration of Sustainability Risks into investment decisions can be found on the Management Company's website: [exane-am.com](http://exane-am.com).

## **XVII. PROTECTION OF PERSONAL DATA**

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Pursuant to the Personal Data Protection Laws, the Company, acting as data controller, collects, stores and processes, either electronically or using any other means, the Personal Data provided by shareholders at the time they subscribe for shares in order to provide the services they request and to comply with its legal obligations.

Investors may refuse to provide their Personal Data to the Company. In such circumstances, however, the Company may refuse a shareholder's share subscription request if it can no longer meet its obligations towards that shareholder.

Personal Data is processed by the Company for the purpose of entering into contractual relationships with shareholders and providing them with the services they require (cf. the performance of a contract that the customer has entered into with the Company), for its legitimate interests and to meet its legal obligations. More specifically, Personal Data is processed in order to (i) maintain a register of shareholders, (ii) process share subscription, redemption and conversion requests and to pay dividends to shareholders, (iii) account administration, (iv) carry out late trading and market timing controls, (v) tax identification in accordance with the laws and regulations applicable in Luxembourg or other countries (including CRS Laws or FATCA regulation) and (vi) comply with anti-money laundering and terrorist financing obligations.

The legitimate interests referred to above include:

- the processing of data for the purposes described in (i) to (iv) above;
- the Company fulfilling and complying with its regulatory and statutory obligations; and
- the Company carrying on its business activities in accordance with market practices.

The Company shall take all necessary steps to ensure the accuracy and confidentiality of all Personal Data. The Company may delegate the processing of Personal Data to other entities (the "Recipient(s)"), in accordance with and within the limits provided for in the Personal Data Protection Laws, which, for the purposes described in this section, include the Management Company, the Depositary, the Domiciliary and Listing Agent, the Registrar and Transfer Agent, the Administrative Agent, the Auditor and the legal advisor.

The Recipients may, on their own responsibility, entrust the processing of such Personal Data to their own agents or service providers (the "Sub-Recipients"), which shall process such data solely in order to assist the Recipients in providing their services to the Company and/or to assist the Recipients in complying with their legal obligations.

The Recipients and Sub-Recipients may be located in the European Economic Area ("EEA") or outside the EEA. Where Personal Data is communicated to Recipients and/or Sub-Recipients located in a non-EEA country that does not ensure an adequate level of protection for personal data, data transfers to that country are made using standard contractual clauses approved by the European Commission. In this respect, investors are entitled to request a copy of those standard contractual clauses by writing to the Management Company at its registered office or at the following email address: [dpo-eam@exane-am.com](mailto:dpo-eam@exane-am.com).

Recipients and Sub-Recipients, as the case may be, shall process Personal Data as data processors (when acting on the Company's instructions), or as data controllers in their own right (when processing Personal Data on their own behalf, i.e. for their own purposes and in compliance with their own legal obligations). Personal Data may also be transferred to governmental and public authorities, including the tax authorities, in accordance with applicable laws and regulations in this area. Personal Data may also be communicated to the Luxembourg tax authorities, which may, in turn, acting in the capacity of data controller, disclose that data to foreign tax authorities.

Shareholders are informed that they are entitled, subject to the conditions set out in the Personal Data Protection Laws, to:

- i. access their Personal Data;
- ii. request that it be rectified or updated without charge, when incorrect or inaccurate;
- iii. request that it be deleted;
- iv. object to the processing of their Personal Data;
- v. request restrictions on processing; and
- vi. exercise their right to data portability.

To exercise their rights, shareholders may contact the Company at the following email address: [dpo-eam@exane-am.com](mailto:dpo-eam@exane-am.com).

Shareholders may also lodge a complaint with a supervisory authority responsible for personal data protection, including in particular the Commission Nationale pour la Protection des Données (National Commission for Data Protection) at the following address: 1, Avenue du Rock'n'Roll, L-4361 Esch-sur-Alzette, Luxembourg, or where the shareholder resides in another Member State, with the locally competent supervisory authority.

Personal Data will only be stored for the period of time necessary for the purposes for which it is processed. This period takes account of statutory limitation periods.

## **XVIII. INFORMATION - DOCUMENTS AVAILABLE TO THE PUBLIC**

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### **1. SHAREHOLDER INFORMATION**

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#### **A. NET ASSET VALUE**

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The net asset values of the shares of each Sub-fund shall be available at the Company's registered office on each business day in Luxembourg. The Board of Directors may decide subsequently to publish these net asset values in the newspapers of countries where the Company's shares are offered or sold. They may also be obtained from the Domiciliary Agent and from banks that offer financial services.

#### **B. ISSUE AND REDEMPTION PRICE**

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The issue and redemption price of shares of each of the Company's Sub-funds are made available to the public each day. They can be obtained from the Administrative Agent and from banks that offer financial services.

## **C. NOTICES TO SHAREHOLDERS**

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All other correspondence with the shareholders shall be in the form of notices, which are either published in a daily or weekly Luxembourg newspaper and in the newspapers of countries where the Company's shares are offered, or sent to shareholders at the addresses listed in the shareholder register, or communicated by any other means deemed appropriate by the Board of Directors, including publication in the *Mémorial* if so required under Luxembourg legislation.

## **2. DOCUMENTS AVAILABLE TO THE PUBLIC**

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The following documents shall be made available to the shareholders for consultation during normal business hours at the Company's registered office:

- the Company's Articles of Association.
- the Company's prospectus and Key Information Documents for each sub-fund.
- the Collective Portfolio Management Agreement between the Company and the Management Company;
- the Depositary agreement concluded between the Company and BNP Paribas, Luxembourg Branch, dated 1<sup>st</sup> December 2018.
- the Administrative Agreement concluded between the Management Company and BNP Paribas, Luxembourg Branch, as amended and novated on 1<sup>st</sup> December 2018.
- the Domiciliary and Listing Agent agreement concluded between the Company and BNP Paribas, Luxembourg Branch, dated 27 June 2006.
- information on the procedure for handling complaints by shareholders.
- appropriate information on the "best execution" policy established by the Company in accordance with CSSF Circular 11/512, as amended from time to time, and any changes to such policy

The agreements listed above may be amended by mutual agreement of the parties concerned. The subscription form may be obtained on request from the Company's registered office.

A brief description of the strategy put in place by the Management Company for determining when and how voting rights attached to instruments held in the Company's portfolio are to be exercised shall be made available to investors in particular by way of the website [www.exane-am.com](http://www.exane-am.com).



**APPENDIX I – EXANE FUNDS 1 – EXANE CERES FUND**

(the "Sub-fund")

**IN COMPLIANCE WITH THE PROVISIONS OF PART I OF THE LAW OF 17 DECEMBER 2010**

**1. INVESTMENT OBJECTIVES**

The Sub-fund's investment objective is to outperform its Benchmark Indicator over the recommended minimum investment horizon.

**2. TARGET SUBSCRIBERS AND INVESTOR PROFILE**

The Sub-fund is intended for all categories of investors, in particular institutional investors seeking an active investment process with a level of volatility significantly lower than that of the major European stock market indices.

The recommended minimum investment horizon is two years.

The Sub-fund's annualised volatility objective is between 5% and 10% over the minimum recommended investment period.

**3. BENCHMARK INDICATOR**

The benchmark indicator, denominated in EUR, is represented by the following composite index: 30% MSCI Europe index with net dividends reinvested, as published by MSCI (Bloomberg code: MSDEE15N) and 70% capitalised €STR index. (the "Benchmark Indicator").

This Benchmark Indicator does not restrictively define the Sub-fund's investment universe but allows the investor to form a view of the risk profile to be expected when investing in the Sub-fund. The level and composition of the Benchmark Indicator is not taken into consideration in the implementation of the investment strategy. As a result, the deviation from the Benchmark Index may be significant.

For the purposes of the Benchmark Regulation, as at the date of this prospectus:

- the €STR index is included in the list of critical indices maintained by the European Commission according to the Benchmark Regulation;
- the administrator MSCI Limited of the MSCI Europe Index has not yet obtained an equivalence decision or a recognition as a third country administrator and is not listed on the register of administrators and benchmarks held by the ESMA.

**4. INVESTMENT POLICY**

**• Investment technique**

To achieve its investment objective, the Sub-fund will invest in equities and other capital securities on the European and international financial markets, with a particular focus on European markets, while excluding economic sectors with high carbon intensity.

The Sub-fund is actively managed, on a discretionary basis, in accordance with the Management Company's expectations. The portfolio structure consists of both long and short positions, based on a fundamental analysis with a directional bias. The portfolio is exposed to equity market movements within the limits set out below.

Long positions are taken either via the direct purchase of equities, or using derivatives, traded over the counter or on the listed market such as swaps, CFDs (Contract For Difference) or forward contracts.

Short positions are taken using derivatives (swaps, CFDs or forward contracts) traded over-the-counter or on a listed market to enable the Management Company to sell a stock, sector or general index.

CFDs are over-the-counter financial contracts used to gain exposure to fluctuations (positive or negative depending on the direction of the transaction) in financial instruments, baskets of financial instruments or indices without having to own or borrow the underlying financial instruments.

These transactions are an arbitrage technique used to reduce the Fund's exposure to a specific market or sectoral risk. The risk arising from single or multiple instances of exposure to a fall in the equities market should not be seen in isolation, but in the context of the overall portfolio and equivalent securities held long by the Sub-fund. In this event, the risk linked to a sale of securities in this context is not absolute but must always be seen as a relative risk.

Any use of derivatives will be kept consistent with the investment objective and will not lead the Sub-Fund to diverge from its risk profile.

**• Net exposure of the portfolio**

The portfolio's net exposure to equity market risk (long positions less short positions, taking into account any physical or derivatives positions) ranges between +25% and +35% of the net assets. However, the Management Company may significantly deviate from this range, the net exposure to equity market risk being potentially reduced to 0% depending on its discretionary assessment of the market context or in the event of specific market conditions such as a sudden reversal of the stock market.

**• Gross exposure of the portfolio**

The portfolio's total gross exposure to equity market risks (the sum of the long and hedged positions) varies between 120% and 190% of the net assets. However, the gross exposure is likely to vary significantly depending on the Management Company's expectations and the market conditions.

The cash surpluses is managed either through debt securities issued by sovereign, banking or private issuers with a maximum residual maturity of three (3) months and a minimum short-term rating equivalent to A1 on the Standard & Poor's rating scale or P1 on the Moody's rating scale completed by an internal review of the Management Company, or through money market funds.

The purchase of units of mutual funds within the Sub-fund is limited strictly to European UCITS-compliant money market funds, up to a maximum 10% of the net assets, for the purpose of managing the Sub-fund's cash surpluses. These funds are selected with a view to preserving the Company's capital rather than boosting performance.

The Sub-Fund's use of, or investment in, SFTs and total return swaps will be as follows:

Type of transactions	Under normal circumstances, it is generally expected that the principal amount of such transactions will not exceed a proportion of the Sub-Fund's net asset value indicated below. In certain circumstances this proportion may be higher.	The principal amount of the Sub-Fund's assets that can be subject to the transactions may represent up to a maximum of the proportion of the Sub-Fund's Net Asset Value indicated below.
Total return swaps / Contracts for difference	120%	190%

The Sub-Fund may invest in unfunded total return swaps with the following underlying: equity, indices on equity. Typically investments in such instruments is made to adjust the portfolio's market exposure in a more cost efficient way.

The Sub-fund will not use techniques and instruments related to securities financing transactions, such as securities lending, repurchase and reverse repurchase transactions, buy-sell back or sell-buy back transactions, for efficient portfolio management purposes.

- **Investment universe**

Geographically, the investment universe is international but with a strong concentration on European stocks.

The investment universe is subject to negative filtering to exclude sectors with a high carbon intensity. The portfolio of long positions has a significantly lower carbon intensity (tCO<sub>2</sub>/mEUR of turnover; aggregated at portfolio level; scope 1 and 2 of the GHG Protocol) than the investment universe of European equities.

The Benchmark Indicator is solely used for the purposes of the determination of the performance fees as described in Section 11 below. The Sub-Fund does not track the Benchmark Indicator, which does not determine the composition of the portfolio and which level is not taken into consideration in the implementation of the investment policy.

- **Investment decisions**

Investment decisions are based on the combined analysis of the following approaches:

- top-down scenario: a macro-economic approach, anticipating growth in the various industries and geographical areas within our universe and determining investment themes;
- cross-section sector analysis: changes in the value chain, maturity of local markets, future mergers, regulations, position in the economic cycle;
- fundamental bottom-up approach: analysis of companies' strengths and weaknesses, strategic positioning, management and earnings quality, valuations;
- analysis of fund flows: identification of the stock's market status, sector rotation and technical criteria;
- incorporation of environmental, social and governance (ESG) considerations relative to the investment universe, through a screening process based on ESG ratings given by external sources, complemented by internal and external research, as further described in the **Appendix IV - SFDR**.

Quantitative tools may be used as a help to decision-making, but the final investment decisions will be at the managers' discretion.

- **Extra-Financial Approach**

The Sub-Fund promotes environmental (E), social (S) and governance (G) characteristics as further described in the Environmental and/or Social Characteristics Annex relating to the Sub-Fund attached in the **Appendix IV - SFDR**. The Sub-Fund does not have a sustainable investment objective.

- **Global risk**

Sub-fund's exposure to global risk due to the use of financial derivatives instruments is calculated using the Absolute Value at Risk approach as further described in section VII. "Risk Management" of the Prospectus.

The expected leverage (sum of the nominal positions on the financial contracts entered into) is approximately 120% of the Sub-fund's net assets. However, it could be lower or higher depending on market conditions.

## 5. SUB-FUND RISK PROFILE

The risks specific to this Sub-fund are the following:

- **Capital risk:** the Sub-fund does not offer any guarantee on the capital invested. It is possible that investors may get back less than they originally invested.

- **Risks associated with small and mid cap companies:** the Sub-fund may invest part of its assets in securities of small and mid cap companies, thereby exposing itself to greater risks than if it had invested in the securities of larger or longer established companies. Securities of small and mid cap companies may be significantly less liquid and more volatile than those of companies with a larger market capitalisation.
- **Risks associated with the arbitrage technique:** the Sub-fund's investment strategies generate certain risks specific to the arbitrage technique. The arbitrage technique consists of a simultaneous investment in a portfolio of long positions on companies deemed undervalued and, as a hedge, a portfolio of short positions on companies deemed overvalued (via financial contracts). These risks may result in a fall in the value of the assets under management if the short positions outperform the long portfolio. In addition, the arbitrage technique used may also generate significant portfolio turnover.
- **Credit risk:** the Sub-fund is exposed to credit risk through investments made in debt securities of private issuers in order to manage the money market portfolio. Credit risk is the risk whereby an issuer cannot meet its liabilities. The probability of such an event is, however, very low as the Sub-fund invests only in securities of leading issuers with maturities of less than three months.
- **Counterparty risk:** the Sub-fund may incur losses through its commitments vis-à-vis a counterparty under their swap, CFD or forward in the event of the counterparty's default or its inability to fulfil its contractual obligations.
- **Foreign exchange risk:** the Sub-fund is exposed to foreign exchange risk relating to assets held in currencies other than its reference currency in spite of hedging transactions designed to protect the Sub-fund against this risk.
- **Interest rate risk:** the Sub-Fund may invest some of its assets in debt securities or money market instruments whose value is sensitive to fluctuations in interest rates linked to their reference monetary area. Sensitivity to such an occurrence is however very low insofar as the Sub-fund only invests in the securities of prime issuers, with maturities of less than three months.
- **Risk associated with discretionary management:** discretionary management relies on the Management Company's expectations of evolution of the different markets. There is therefore a risk that the Sub-Fund may not be invested at all times in the best performing instruments.
- **Liquidity risk:** the markets in which the Sub-Fund participates may be subject to temporary illiquidity. These market distortions could have an impact on the pricing conditions under which the Sub-Fund may be caused to liquidate, initiate or modify its positions.
- **Sustainability Risks:** The Sub-Fund performance may be impacted by a broad spectrum of Sustainability Risks affecting the companies in which it invests. As the Sub-Fund is broadly diversified, it is not anticipated that any single Sustainability Risk will drive a material negative financial impact on the value of the Sub-Fund. By taking into account ESG criteria within its investment process, it is intended that the overall Sustainability Risk of the Sub-Fund is mitigated and therefore the potential impact of the Sustainability Risks on the value of the investments of the Sub-Fund should also be mitigated. No guarantee is given that the ESG criteria will completely remove the Sustainability Risks. Further information can be found in Section XVI "Sustainability-related disclosures".
- **Total return swaps:** Please refer to section VI. under "Certain Financial Instruments and EPM Risks".

The Sub-fund's performance depends primarily on:

- a) the quality of the stock selection undertaken by the Management Company, in the case of both long and short positions;
- b) the ability of the Management Company to adjust its net exposure to the equity markets, depending on the expected upturn or downturn in these markets.

## 6. REFERENCE CURRENCY

Euro.

## 7. SHARES

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Six (6) classes of shares are available in the Sub-fund, with the following characteristics:

- Class A – Accumulation : EUR – ISIN code : LU0284634564
- Class B – Accumulation : EUR – ISIN code : LU0284634721
- Class C – Accumulation : EUR – ISIN code : LU0284634994
- Class G – Accumulation : EUR – ISIN code : LU2681453036
- Class H – Accumulation : EUR – ISIN code : LU2747616956
- Class S – Accumulation : EUR – ISIN code : LU2348417341

Classes A, G and S are intended exclusively for Institutional Investors.

Institutional Investors include, without limitation:

- legal entities subscribing on their own account or on behalf of clients, on a discretionary basis or pursuant to an investment advice provided on an independent or non-independent basis as defined by the MiFID II Directive, provided that in the latter case the distributor or the financial intermediary is exclusively remunerated by its client;
- legal entities subscribing on behalf of individuals or legal entities pursuant to a discretionary portfolio management mandate as defined by the MiFID II Directive;
- legal entities subscribing on behalf of individuals pursuant to a unit-linked endowment policy (*contrat d'assurance-vie*),
- pension funds; and
- UCIs,

as described in greater details in section VIII.1.A of this Prospectus.

Class B and H are intended for all investors.

Class C is reserved for :

- (i) Investments from the Management Company's employees and its affiliates (managing directors included) either made directly or through funds managed by the Management Company;
- (ii) investments from funds of funds managed by the Management Company;
- (iii) discretionary management portfolio managed by the Management Company.

## 8. SUBSCRIPTIONS AND REDEMPTIONS

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Subscription and redemption requests must be received by the Registrar and Transfer Agent no later than 4 p.m. (Paris time) on each Paris stock market trading day and shall be executed on the basis of the net asset value of the next trading day. Requests are accepted for a set amount, or for a number of units at an unknown price.

Payment of subscriptions and redemptions shall take place within two Business Days following the Valuation Day on which the net asset value is calculated.

When the Paris Stock Market is closed, the Registrar and Transfer Agent shall not receive subscription and redemption requests.

“Paris Stock Market” shall mean the Euronext Paris regulated market. The days on which the Paris Stock Market is opened are determined using the Euronext Paris calendar.

## 9. MINIMUM HOLDING AND SUBSCRIPTION REQUIREMENTS

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Minimum initial subscription

- Class A: EUR 10,000
- Class B: EUR 10,000

- Class C: EUR 125,000
- Class G: 1 Share
- Class H: 1 Share
- Class S: EUR 25,000,000

Minimum holding

- Class A: none
- Class B: none
- Class C: none
- Class G: none
- Class H: none
- Class S: none

Minimum subsequent subscription

- Class A: none
- Class B: none
- Class C: none
- Class G: none
- Class H: none
- Class S: none

The Board of Directors reserves the right to refuse, at its own discretion, any subscription to the Class C shares.

## 10. FREQUENCY AND CALCULATION OF THE NET ASSET VALUE AND VALUATION DAY

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The net asset value is calculated each day by the Administrative Agent on the basis of the closing prices available in Paris on the Valuation Day.

The Valuation Day is each Paris stock market Business Day, or if this day is a day on which the Paris Stock Market is closed, the Valuation Day is the next Business Day.

The net asset value dated on the Day (D) is calculated and disseminated on the Business Day following the Valuation Day (D+1).

## 11. FEES BORNE BY THE INVESTOR

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1. Subscription fee: To protect the shareholders, a subscription fee payable to the Management Company not exceeding 5% of the net asset value per share may be charged on one or more share Classes.

2. Redemption fee: none.

## 12. FEES BORNE BY THE SUB-FUND

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### 1. Management Company

At the end of each quarter, the Management Company shall receive a fixed management fee, charged to the assets of the Sub-fund and calculated as follows:

- Class A: an annual rate of 1.25% of the average net assets of the Sub-fund attributable to the share Class;
- Class B: an annual rate of 2% of the average net assets of the Sub-fund attributable to the share Class.
- Class C: an annual rate of 0.3% of the average net assets of the Sub-fund attributable to the share Class;
- Class G: an annual rate of 1.25% of the average net assets of the Sub-fund attributable to the share Class;
- Class H: an annual rate of 1.75% of the average net assets of the Sub-fund attributable to the share Class;

- Class S: an annual rate of 1.00% of the average net assets of the Sub-fund attributable to the share Class.

The Management Company shall also receive a variable management fee on the share of the assets attributable to Class A, B, G, H and S shares, equal to 20% of the Sub-fund's annual Performance Margin, subject to a past underperformance compensation mechanism.

This variable management fee is linked to the performance of the Sub-fund on a reference period (a "Reference Period"). The variable management fee is accrued on each Valuation Day and, if any, paid annually at the end of each Reference Period.

The "Reference Period" is defined as the period during which performance is measured and compared to that of the Benchmark Indicator, and at the end of which it will be possible to reset the past underperformance compensation mechanism. The Reference Period of the performance is 5 years. This means that any underperformance of the Sub-fund will be carried forward for a maximum period of five (5) years and must be compensated in that period before a variable management fee can be accrued and paid. If the Sub-Fund underperforms over a whole year and that underperformance is not compensated at the end of a Reference Period, a new Reference Period will start from the end of the year during which that underperformance was observed.

The Reference Period begins on the date of creation of the Sub-fund or a Share Class or on the date of the last crystallisation (excluding redemptions) of a performance fee.

Notwithstanding the above, in the case of the creation of a new Share Class during a year, the first Reference Period is increased by a period equal to the remainder of the financial year in progress at the date of creation.

A new reference period of the performance will start as soon as a performance fee is definitively acquired by the Management Company (see Crystallization Frequency below).

"Crystallization Frequency" means the frequency at which the accrued Variable Management Fee, if any, becomes payable to the Management Company. It is set for one year, except in the case of the creation of a new Share Class, where the minimum Crystallisation Frequency for the first Reference Period is increased by a period equal to the remainder of the financial year in progress at the date of creation.

The crystallization date occurs at the end of a financial year. Calculations shall be validated once per year at the end of the financial year.

In the event of a redemption during a Reference Period, the proportion of the Variable Management Fee in respect of the Shares concerned shall be crystallised and shall therefore remain irrevocably due to the Management Company. This crystallised share of the Variable Management Fee shall be paid to the Management Company at the end of the relevant quarter.

In addition, no Variable Management Fee shall crystallise where the Sub-Fund or Share Class is merged with a newly established receiving UCITS or sub-fund with no performance history and with an investment policy not substantially different from that of this Sub-Fund. In that case, the performance reference period of this Sub-Fund shall continue applying in the receiving UCITS or sub-fund.

The variable management fee shall be calculated on the basis of the Net Asset Value per share, net of all costs (excluding variable management fees) and taking into account the same subscriptions and redemptions during the Reference Period.

The variable management fee mechanism is explained below. Nevertheless, the Management Company provides investors, upon request, with the calculation methodology of the foregoing variable management fee.

#### **Calculation of variable management fee:**

The variable management fee will be activated and applied only if:

- the Performance Margin is positive; and
- the Performance Margin is higher than the Performance Margin To be Exceeded.

The "Performance Margin" is the difference between the Sub-fund's performance and that of its Benchmark Indicator since inception, on the share of the assets attributable to the related share of the relevant Share Class.

**For the avoidance of any doubt, the Management Company may receive a variable management fee in the event that the Sub-fund records a negative performance, provided that the Performance Margin of the relevant Share Class exceeds the Performance Margin To Be Exceeded.**

The Benchmark Indicator has been changed with effect from May 22, 2023. The performance of the Benchmark Indicator during the Reference Period applying on this effective date is calculated by combining the benchmark indicator in effect until the date of the change and the new Benchmark Indicator used thereafter. Please note that the past underperformance compensation mechanism will continue to apply to any underperformance not offset during the Reference Period prior to the date of the change.

The "Performance Margin To Be Exceeded" is defined as the highest Performance Margin recorded at the end of each financial year during the Reference Period.

If the above conditions are met, the variable management fee will be computed as the percentage mentioned above applied to the difference between the Performance Margin and the Performance Margin To Be Exceeded.

The following illustrative example describes the mechanism of compensation of past underperformance.

#### **Illustrative example:**

This illustrative example does not represent the past performance of the Sub-fund nor is it an indicator of future results.

Year	Benchmark Indicator	Sub-Fund	YTD Performance	Performance Margin	Performance Margin To Be Exceeded	Variable Management Fee
Y1	98	103	3	5	0	1
Y2	90	98	-5	8	5	0,60
Y3	95	105	7	10	8	0,4
Y4	95	110	5	15	10	1
Y5	90	105	-5	15	15	0
Y6	100	95	-10	-5	15	0
Y7	80	85	-10	5	15	0
Y8	80	90	5	10	15	0
Y9	85	96	6	11	15	0
Y10	80	92	-4	12	15	0
Y11	80	95	3	15	12	0,6

Narratives :

Year	Explanation
Y1	During this first year, the Variable Management Fee is activated and accrued during the Reference Period when the Performance Margin is positive. At the end of the Reference Period, a performance fee is charged for an amount equal to 20% of the Performance Margin. The Performance Margin noticed at the end of this first Reference Period defines the Performance Margin To Be Exceeded for the subsequent period.
Y2	At the end of the Reference Period, <b>even if the YTD Performance of the Sub-Fund is negative</b> , it is higher than that of the Reference Indicator and the Performance Margin To Be Exceeded. A performance fee is therefore charged for an amount equal to 20% of the difference between the Performance Margin and the Performance Margin To Be Exceeded. The Performance Margin at the end of this first Reference Period defines the Performance Margin To Be Exceeded for the subsequent period.
Y3	At the end of the Reference Period, a performance fee is charged to the Sub-Fund for an amount equal to 20% of the difference between the Performance Margin and the Performance Margin To Be Exceeded. The Performance Margin noticed at the end of this Reference Period defines the Performance Margin To Be Exceeded for the subsequent period.
Y4	At the end of the Reference Period, a performance fee is charged to the Sub-Fund for an amount equal to 20% of the difference between the Performance Margin and the Performance Margin To Be Exceeded. The Performance Margin noticed at the end of this Reference Period defines the new Performance Margin To Be Exceeded for the subsequent period.
Y5	The Performance Margin is positive, but is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid. The Performance Margin noticed at the end of this Reference Period defines the Performance Margin for the subsequent period.
Y6	The Performance Margin is negative, thus no performance fee is accrued nor paid. The Performance Margin To Be Exceeded in Y5 will be used for the subsequent period.
Y7	The Performance Margin is positive, but is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid as the residual underperformance coming from Y6 is not yet compensated. The Performance Margin To Be Exceeded recorded in Y5 remains used for the subsequent period.
Y8	The Performance Margin is positive, but is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid as the residual underperformance coming from Y6 is not yet compensated. The Performance Margin To Be Exceeded recorded in Y5 remains used for the subsequent period.
Y9	The Performance Margin is positive, but is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid as the residual underperformance coming from Y6 is not yet compensated. The Performance Margin To Be Exceeded recorded in Y5 remains used for the subsequent period.
Y10	The Performance Margin is positive, but is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid as the residual underperformance coming from Y6 is not yet compensated. The Performance Margin To Be Exceeded recorded in Y5 remains used for the subsequent period.
Y11	At the end of the Reference Period, a performance fee is charged to the Sub-Fund for an amount equal to 20% of the difference between the Performance Margin and the Performance Margin To Be Exceeded. The residual underperformance coming from Y6 is no longer taken into account as the five-year period has elapsed. The Performance Margin noticed at the end of this Reference Period defines the Performance Margin To Be Exceeded for the subsequent period.

**2. Service providers**

The costs directly borne by the Sub-fund and invoiced by all the Sub-fund's service providers (Depositary, Administrative Agent, Domiciliary, Registrar and Transfer Agent, auditor, legal advisor) shall be subject to an annual maximum of 0.2% of the Sub-fund's average net assets. Any costs in excess of the aforementioned limit shall be borne by the Management Company by way of deduction from its fixed management fee.

Brokerage fees and/or securities borrowing fees paid to the Sub-fund's financial intermediaries and counterparties are not included in this 0.2% limit. The same shall apply to any stock market taxes and stamp duty the Sub-fund may have to pay on certain financial markets.

**13. DIVIDEND DISTRIBUTION POLICY**

The shares of each Class of the Sub-fund shall capitalise their income. Nevertheless, the Board of Directors reserves the right to propose to the General Meeting of Shareholders the distribution of a dividend at any time.

**14. TAXATION**

The Sub-fund may act as a vehicle for unit-linked endowment policies (*contrats d'assurance-vie*).

The assets of the Sub-fund attributable to each share Class shall be subject to the following subscription tax:

- Class A: 0.01% per year of the net asset value;
- Class B: 0.05% per year of the net asset value;
- Class C: 0.05% per year of the net asset value;
- Class G: 0.01% per year of the net asset value;
- Class H: 0.05% per year of the net asset value;
- Class S: 0.01% per year of the net asset value.

The tax shall be paid each quarter and its amount shall be calculated on the basis of the Sub-fund's consolidated net assets at the end of the calendar quarter in question.

**15. LISTING ON THE LUXEMBOURG STOCK EXCHANGE**

The shares of the Sub-fund shall not be listed.

**16. SUB-FUND'S PERFORMANCE**

The Sub-fund's performance is described in the "Past Performances" Document available on the Management Company's website. Past performance is no guide to future results.



APPENDIX II – EXANE FUNDS 1 - EXANE OVERDRIVE FUND  
(the "Sub-Fund")

IN COMPLIANCE WITH THE PROVISIONS OF PART I OF THE LAW OF 17 DECEMBER 2010

1. INVESTMENT OBJECTIVES

The Sub-fund's investment objective is to deliver an absolute, constant return decorrelated from the financial markets by means of dynamic "long/short equity" investment management.

2. TARGET SUBSCRIBERS AND INVESTOR PROFILE

The Sub-fund is intended for all categories of investors, in particular institutional investors.

The recommended minimum investment horizon is three years.

The Sub-fund's annualised volatility objective is between 5% and 10% over the minimum recommended investment period.

3. INVESTMENT POLICY

• Investment technique

The investment strategy is the "long/short equity" strategy. It consists of simultaneously managing a portfolio of long positions on companies judged to be undervalued and a portfolio of short positions on companies judged to be overvalued.

Long positions are taken either via the direct purchase of equities, or using derivatives, traded over the counter or on the listed market such as swaps, CFDs (Contract For Difference) or forward contracts that can provide exposure on long position for a value, a sector or a general index. The target gross exposure of the long portfolio evolves between 150% and 200% of the Sub-fund's net assets.

Short positions are taken using derivatives (swaps, CFDs or forward contracts) traded over-the-counter or on a listed market to enable the Management Company to sell a stock, sector or general index. The target gross exposure of the short portfolio evolves between 150% and 200% of the Sub-fund's net assets.

CFDs are over-the-counter financial contracts through which the Fund gains exposure to fluctuations (positive or negative, depending on the direction of the transaction) of equities, baskets of equities or baskets of indices, without having to own or borrow the underlying financial instruments.

The risk arising from single or multiple instances of exposure to an increase or a fall in the equities market should not be seen in isolation, but in the context of the overall portfolio and equivalent securities held long by the Sub-fund. In this event, the risk linked to a sale or a purchase of securities in this context is not absolute but must always be seen as a relative risk.

The cash surpluses is managed either through debt securities issued by sovereign, banking or private issuers with a maximum residual maturity of three (3) months and a minimum short-term rating equivalent to A1 on the Standard & Poor's rating scale or P1 on the Moody's rating scale completed by an internal review of the Management Company, or through money market funds.

The purchase of units of mutual funds within the Sub-fund is limited strictly to European UCITS-compliant money market funds, up to a maximum 10% of the net assets, for the purpose of managing the Sub-fund's

cash surpluses. These funds are selected with a view to preserving the Company's capital rather than boosting performance.

• Gross exposure of the portfolio

The portfolio's total gross exposure to equity market risks (the sum of the long and hedged positions) is expected to vary between 300% and 450% of the Sub-fund's net assets.

• Net exposure of the portfolio

The portfolio's total net exposure to equity market risk (long positions reduced by short positions, taking into account all physical positions or financial contracts) is comprised between -10% and +20%.

Any use of derivatives will be kept consistent with the investment objective and will not lead the Sub-Fund to diverge from its risk profile.

The Sub-Fund's use of, or investment in, SFTs and total return swaps will be as follows:

Type of transactions	Under normal circumstances, it is generally expected that the principal amount of such transactions will not exceed a proportion of the Sub-Fund's net asset value indicated below. In certain circumstances this proportion may be higher.	The principal amount of the Sub-Fund's assets that can be subject to the transactions may represent up to a maximum of the proportion of the Sub-Fund's Net Asset Value indicated below.
Total return swaps / contracts for difference	390%	450%

The Sub-Fund may invest in unfunded total return swaps with the following underlying: equity, indices on equity.

Typically investments in such instruments is made to adjust the portfolio's market exposure in a more cost efficient way.

The Sub-fund will not use techniques and instruments related to securities financing transactions, such as securities lending, repurchase and reverse repurchase transactions, buy-sell back or sell-buy back transactions, for efficient portfolio management purposes.

• Investment universe

In geographical terms, the investment universe is international but with a strong concentration on European stocks.

• Investment decisions

The Sub-fund is actively managed, on a discretionary basis, in accordance with the Management Company's expectations. Final investment decisions will be at the managers' discretion. The stock picking approach used to constitute the "long short equity" portfolio relies on the specific sector expertises of the Management Company and incorporates environmental, social and governance (ESG) considerations relative to the investment universe, through a screening process based on ESG ratings given by external sources, complemented by internal and external research, as further described in the Appendix IV - SFDR. Stock picking weightings include two main parameters: the risk associated with the stock and the assessed level of convictions on the value.

The Sub-Fund references the EONIA index solely for the purposes of the determination of the performance fees as described in Section 11 below. The Sub-Fund does not track the index, which does not determine the composition of the portfolio and which level is not taken into consideration in the implementation of the investment policy.

- **Extra-Financial Approach**

The Sub-Fund promotes environmental (E), social (S) and governance (G) characteristics as further described in the Environmental and/or Social Characteristics Annex relating to the Sub-Fund attached in the **Appendix IV - SFDR**. The Sub-Fund does not have a sustainable investment objective.

- **Global exposure calculation**

Calculation of global exposure follows the Value at Risk methodology.

The expected leverage (sum of notional on financial contracts) shall be around 400% of the Sub-Fund's net assets. It may be lower or higher depending on market conditions.

#### **4. SUB-FUND RISK PROFILE**

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The risks specific to this Sub-fund are the following:

- **Capital risk:** the Sub-fund does not offer any guarantee on the capital invested. It is possible that investors may get back less than they originally invested.
- **Risks associated with small and mid cap companies:** the Sub-fund may invest part of its assets in securities of small and mid cap companies, thereby exposing itself to greater risks than if it had invested in the securities of larger or longer established companies. Securities of small and mid cap companies may be significantly less liquid and more volatile than those of companies with a larger market capitalisation.
- **Risks associated with the arbitrage technique:** the Sub-fund's investment strategies generate certain risks specific to the arbitrage technique. The arbitrage technique consists of a simultaneous investment in a portfolio of long positions on companies deemed undervalued and, as a hedge, a portfolio of short positions on companies deemed overvalued (via financial contracts). These risks may result in a fall in the value of the assets under management if the short positions outperform the long portfolio. In addition, the arbitrage technique implemented may also generate significant portfolio rotation.
- **Overexposure risks :** the Sub-Fund uses financial contracts in order to generate gross exposure to equity market risks between 300% and 450% of the Sub-Fund's net asset value. In certain circumstances, this overexposure may increase the Sub-Fund's net asset value lowering.
- **Credit risk:** the Sub-fund is exposed to credit risk through investments made in debt securities of private issuers in order to manage the money market portfolio. Credit risk is the risk whereby an issuer cannot meet its liabilities. The probability of such an event is, however, very low as the Sub-fund invests only in securities of leading issuers with maturities of less than three months.
- **Interest rate risk:** the Sub-Fund may invest some of its assets in debt securities or money market instruments whose value is sensitive to fluctuations in interest rates linked to their reference monetary area. Sensitivity to such an occurrence is however very low insofar as the Sub-fund only invests in the securities of prime issuers, with maturities of less than three months
- **Risk associated with discretionary management:** discretionary management relies on the Management Company's expectations of evolution of the different markets. There is therefore a risk that the Sub-Fund may not be invested at all times in the best performing instruments.
- **Counterparty risk:** the Sub-fund may incur losses through its commitments vis-à-vis a counterparty under their swap, CFD or forward transactions in the event of the counterparty's default or its inability to fulfil its contractual obligations.
- **Foreign exchange risk:** to a limited extent, the sub-fund is exposed to foreign exchange risk relating to assets held in currencies other than its reference currency in spite of hedging transactions designed to protect the sub-fund against this risk.

- **Liquidity risk:** the markets in which the Sub-Fund participates may be subject to temporary illiquidity. These market distortions could have an impact on the pricing conditions under which the Sub-Fund may be caused to liquidate, initiate or modify its positions.

- **Sustainability Risks:** The Sub-Fund performance may be impacted by a broad spectrum of Sustainability Risks affecting the companies in which it invests. As the Sub-Fund is broadly diversified, it is not anticipated that any single Sustainability Risk will drive a material negative financial impact on the value of the Sub-Fund. By taking into account ESG criteria within its investment process, it is intended that the overall Sustainability Risk of the Sub-Fund is mitigated and therefore the potential impact of the Sustainability Risks on the value of the investments of the Sub-Fund should also be mitigated. No guarantee is given that the ESG criteria will completely remove the Sustainability Risks. Further information can be found in Section XVI. "Sustainability-related disclosures".

- **Total return swaps:** Please refer to section VI. under "Certain Financial Instruments and EPM Risks".

The Sub-fund's performance depends primarily on:

- a) the quality of the stock selection undertaken by the Management Company, in the case of both long and short positions;
- b) the ability of the Management Company to adjust its net exposure to the equity markets, depending on the expected upturn or downturn in these markets.

#### **5. REFERENCE CURRENCY**

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Euro.

#### **6. SHARES**

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Three (3) classes of shares are offered in the reference currency of the Sub-fund, with the following characteristics:

- Class A – Accumulation: EUR – ISIN code: LU0923609035
- Class C – Accumulation: EUR – ISIN code: LU0923609209
- Class M – Accumulation: EUR – ISIN code: LU2747617095

Classes «A» and «A USD» are intended exclusively for Institutional Investors.

In particular, Institutional Investors include legal entities subscribing on their own account or on behalf of individuals pursuant to a discretionary investment agreement or a unit-linked endowment policy (*contrat d'assurance-vie*), pension funds and collective investment schemes, as described in greater detail in section VI.1.A of this Prospectus.

Class C is reserved for:

- (i) investment from the Management Company's employees and its affiliates (managing directors included) either made directly or through funds managed by the Management Company;
- (ii) investments from funds of funds managed by the Management Company;
- (iii) discretionary management portfolio managed by the Management Company.

Class M is intended exclusively for Institutional Investors authorized by the Board of Directors on a discretionary and exceptional basis.

- One (1) Class of shares is offered in US dollar (USD), a currency other than the reference currency of the Sub-fund, with the following characteristics:

- Class A USD – Accumulation : USD – ISIN code : LU0923609118

The A USD Class is intended exclusively for Institutional Investors and is hedged against USD-EUR foreign exchange risk under the conditions provided for in section VIII.1.A of this Prospectus.

Institutional Investors include, without limitation:

- legal entities subscribing on their own account or on behalf of clients, on a discretionary basis or pursuant to an investment advice provided on an independent or non-independent basis as defined by the MiFID II Directive, provided that in the latter case the distributor or the financial intermediary is exclusively remunerated by its client;
- legal entities subscribing on behalf of individuals or legal entities pursuant to a discretionary portfolio management mandate as defined by the MiFID II Directive;
- legal entities subscribing on behalf of individuals pursuant to a unit-linked endowment policy (*contrat d'assurance-vie*),
- pension funds; and
- UCIs,

as described in greater details in section VIII.1.A of this Prospectus.

## **7. SUBSCRIPTIONS AND REDEMPTIONS**

Subscription and redemption requests must be received by the Registrar and Transfer Agent no later than 4 p.m. (Paris time) on each Paris stock market trading day and shall be executed on the basis of the net asset value of the next trading day. Requests are accepted for a set amount, or for a number of units at an unknown price.

Payment of subscriptions and redemptions shall take place within two Business Days following the Valuation Day on which the net asset value is executed.

The initial subscription price is EUR 10,000 for Class A and Classes C; and USD 10,000 for Class A USD.

The initial subscription price is EUR 20,000 for Class M.

When the Paris Stock Market is closed, the Registrar and Transfer Agent shall not receive subscription and redemption requests.

"Paris Stock Market" shall mean the Euronext Paris regulated market. The days on which the Paris Stock Market is opened are determined using the Euronext Paris calendar.

## **8. MINIMUM HOLDING AND SUBSCRIPTION REQUIREMENTS**

### Minimum initial subscription

- Class A: EUR 10,000
- Class A USD: USD 10,000
- Class C: 1 Share
- Class M: 1 Share

### Minimum holding

- Class A: none
- Class A USD: none
- Class C: none
- Class M: none

### Minimum subsequent subscription

- Class A: none
- Class A USD: none
- Class C: none
- Class M: none

The Board of Directors reserves the right to refuse, at its own discretion, any subscription to the Class C shares.

## **9. FREQUENCY AND CALCULATION OF THE NET ASSET VALUE AND VALUATION DAY**

The net asset value is calculated each day by the Administrative Agent on the basis of the closing prices available in Paris on the Valuation Day.

The Valuation Day is each Paris stock market Business Day.

The net asset value dated on the Day (D) is calculated and disseminated on the Business Day following the Valuation Day (D+1).

## **10. FEES BORNE BY THE INVESTOR**

1. Subscription fee: To protect the shareholders, a subscription fee payable to the Management Company not exceeding 5% of the net asset value per share may be charged on one or more share Classes.

2. Redemption fee: none.

## **11. FEES BORNE BY THE SUB-FUND**

### 1. Management Company

At the end of each quarter, the Management Company shall receive, charged to the assets of the Sub-fund, a fixed management fee calculated as follows:

- Class A, Class A USD: an annual rate of 2% of the average net assets of the Sub-fund attributable to each share Class.
- Class C: an annual rate of 0.30% of the average net assets of the Sub-fund attributable to the share Class.
- Class M: an annual rate of 1% of the average net assets of the Sub-fund attributable to the share Class.

For Class A and Class A USD and subject to a High Water Mark mechanism, the Management Company shall also receive a variable management fee of 20% of the Sub-fund's annual outperformance of (the "**Minimum Rate 20**"):

- capitalised €STR +1%, on the share of the assets attributable to Class A shares;
- capitalised Fed Funds Effective Rate + 1% on the share of the assets attributable to Class A USD.

For Class M and subject to a High Water Mark mechanism, the Management Company shall also receive a variable management fee of 30% of the Sub-fund's annual outperformance of (the "**Minimum Rate 30**"):

- capitalised €STR, on the share of the assets attributable to Class M shares.

This fee is linked to the performance of the Sub-fund over a reference period (a "**Reference Period**"). The variable management fee is accrued on each valuation day and paid annually at the end of each Reference Period.

Reference Periods are annual and correspond to the financial years of the Sub-Fund. Notwithstanding the above, in the case of the creation of a new Share Class during a year, the Reference Period is increased by a period equal to the remainder of the financial year in progress at the date of creation.

The Net Asset Value applicable to each Reference Period is the latest Net Asset Value for the previous period.

"**Crystallization Frequency**" means the frequency at which the accrued Variable Management Fee, if any, becomes payable to the Management Company. It is set for one year, except in the case of the creation of a new Share Class, where the minimum Crystallisation Frequency for the first Reference Period is increased by a period equal to the remainder of the financial year in progress at the date of creation.

The crystallization date occurs at the end of a financial year. Calculations shall be validated once per year at the end of the financial year.

In the event of a redemption during a Reference Period, the proportion of the Variable Management Fee in respect of the Shares concerned shall be crystallised and shall therefore remain irrevocably due to the

Management Company. This crystallised share of the Variable Management Fee shall be paid to the Management Company at the end of the relevant quarter.

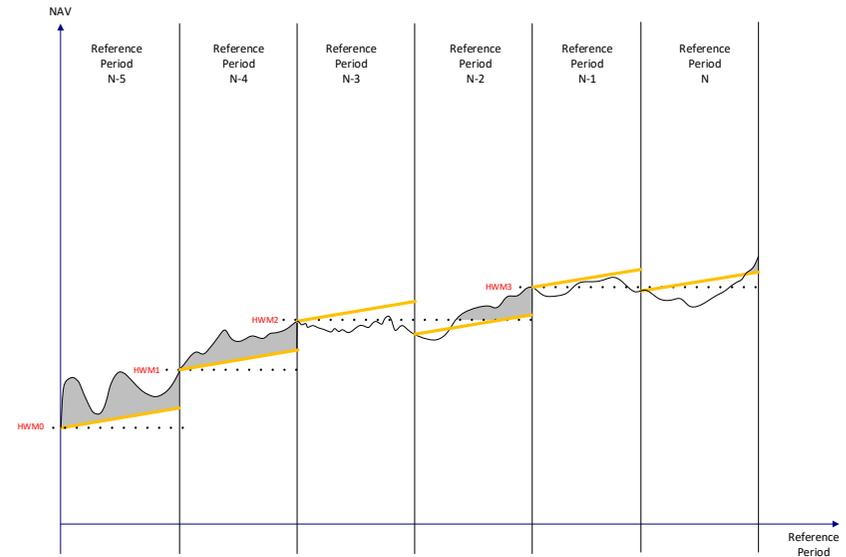
In addition, no Variable Management Fee shall crystallise where the Sub-Fund or Share Class is merged with a newly established receiving UCITS or sub-fund with no performance history and with an investment policy not substantially different from that of this Sub-Fund. In that case, the Reference Period of this Sub-Fund shall continue applying in the receiving UCITS or sub-fund.

The variable management fee is only activated and accrued above the High-Water Mark Net Asset Value which is defined as the highest closing net asset value noticed at the end of Reference Period, over the five previous Reference Periods.

The variable management fee mechanism is explained below. Nevertheless, the Management Company provides investors, upon request, with the calculation methodology of the foregoing variable management fee.

### Calculation of variable management fee with High Water Mark mechanism

**Illustrative graph :**  
This illustrative graph does not represent the past performance of the Sub-fund nor is it an indicator of future results



The Sub-fund performance is described by the black curve.  
The Minimum Rate 20 or the Minimum Rate 30 performance (each hereinafter referred to as “Minimum Rate”) are described by the yellow line.  
The High-Water Mark Net Asset Value is described by the dashed line.  
The outperformance of the Sub-Fund is depicted by the grey surface on a given Reference Period. The variable management fee is accrued for an amount equal to (i) 20% of the outperformance for Class A and Class A-USD and (ii) 30% of the outperformance for Class M.

Reference Period N-5: the Sub-Fund performance is above the Minimum Rate 's performance. This outperformance is depicted by the grey surface. The variable management fee is accrued for an amount equal to 20% of the outperformance.

Reference Period N-4: At the beginning of the Reference Period N-4, the performance of the Minimum Rate is reset. During Reference Period N-4, the net asset value of the Sub-fund remains higher than the High-Water Mark Net Asset Value (on the graph, the High-Water Mark Net Asset Value is depicted by the closing net asset value at the end of Reference Period N-4, represented by the dashed line HWM1) and the Sub-fund performance is higher than the performance of the Minimum Rate. Both conditions requested to apply a variable management fee to the Sub-fund are fulfilled.

Reference Period N-3: the High Water Mark Net Asset Value is now the closing net asset value at the end of Reference Period N-4 since the Performance of the Sub-Fund was higher than the performance of the Minimum Rate during Reference Period N-4 (represented by the dashed line HWM2). During this period, the Sub-fund's net asset value remains under the High-Water Mark Net Asset Value. Consequently, no variable management fee is activated nor accrued.

Reference Period N-2: the Sub-fund's net asset value is below the High Water Mark Net Asset Value until the middle of Reference Period N whereas the Sub-fund performance is from time to time higher than the performance of the Minimum Rate. Consequently, during this first half of Reference Period N, no variable management fee is activated nor accrued. During the second half of Reference Period N, the Sub-fund's net asset value increases and becomes higher than the High-Water Mark Net Asset Value; and the Sub-Fund's

performance remains above the Minimum Rate's performance. Within this context, the variable management fee is only accrued for the part of the outperformance which has not been yet charged to the Sub-fund during the last three previous Reference Periods (on the graph: the area defined by the curve of the Sub-fund's performance, the red line of the High-Water Mark Net Asset Value and the line of the Minimum Rate performance).

Reference Period N-1: the Sub-Fund's net asset value is higher in the middle of the Reference Period than the High Water Mark net asset value, which now corresponds to the closing net asset value of the previous Reference Period N-2 and no longer N-4, as the Sub-Fund outperformed the Minimum Rate over the period N-2 (represented by the dotted line HWM3). Nevertheless, the net asset value of the Sub-Fund remains below the Minimum Rate's performance throughout the financial year, therefore no variable management fee is accrued or deducted.

Reference Period N: the net asset value of the Sub-Fund remains below the performance of the Minimum Rate until the very end of the financial year. At the end of the Reference Period, the net asset value of the Sub-Fund becomes higher than that of the Minimum Rate and the performance of the Sub-Fund remains higher than the High-Water Mark Net Asset Value. In this context, a variable management fee is accrued but only on that part of the outperformance which has not yet been subject to a variable management fee over the period consisting of the last four previous Reference Periods (graphically: area bounded by the performance curve of the Sub-Fund and the performance line of the Minimum Rate).

#### Illustrative example:

When the performance is positive and the Sub-Fund has outperformed the Minimum Rate and the net asset value is higher than the High-Water Mark net asset value, a provision for variable management fee is accrued.

Its amount corresponds to (i) 20% for Class A and Class A-USD or (ii) 30% for Class M of the minimum between:

- the outperformance of the Sub-Fund, defined as the difference between the net assets of the Sub-Fund before variable management fees ("VMF") and the net assets of a virtual fund with the same net assets at the beginning of the year, undergoing the same subscriptions and redemptions and achieving exactly the performance of the Minimum Rate.
- The difference between the net assets of the Sub-Fund before VMF and the High-Water Mark Net Asset Value.

The table below illustrates the calculation of the variable management fee, on a constant AUM basis. For calculation purposes, the Minimum Rate is calculated using the €STR index equal to -0.50%.

The performance of the first reference period N-5 is established with reference to the net assets of the Sub-Fund equal to 100 (HWM0).

#### Class A and Class A-USD

	N-5	N-4	N-3	N-2	N-1	N
Net assets of the Sub-Fund before VMF	102	105	104	106	105	107
Outperformance of the Sub-Fund	1.5	2.8	-0.94	1.06	-1.29	0.71
Net assets of the Sub-Fund before VMF - HWM	2	3.3	-0.44	1.56	-0.79	1.21
Variable management fee (i.e 20% *MIN)	<b>0.3</b>	<b>0.56</b>	<b>0</b>	<b>0.212</b>	<b>0</b>	<b>0.14</b>
Net assets of the Sub-Fund after VMF	101.7	104.44	104	105.79	105	106.86
High-Water Mark Net Asset Value	<b>101.7</b>	<b>104.44</b>	104.44	<b>105.79</b>	105.79	106.86
	<b>HWM1</b>	<b>HWM2</b>		<b>HWM3</b>		

#### Class M

	N-5	N-4	N-3	N-2	N-1	N
Net assets of the Sub-Fund before VMF	102	105	104	106	105	107
Outperformance of the Sub-Fund	1.5	2.8	-0.94	1.06	-1.29	0.71
Net assets of the Sub-Fund before VMF - HWM	2	3.3	-0.44	1.56	-0.79	1.21
Variable management fee (i.e 30% *MIN)	<b>0.45</b>	<b>0.84</b>	<b>0</b>	<b>0.318</b>	<b>0</b>	<b>0.213</b>
Net assets of the Sub-Fund after VMF	101.55	104.16	104	105.69	105	106.79
High-Water Mark Net Asset Value	<b>101.55</b>	<b>104.16</b>	104.44	<b>105.69</b>	105.79	106.79
	<b>HWM1</b>	<b>HWM2</b>		<b>HWM3</b>		

These illustrative examples do not represent the past performance of the Sub-fund nor are they an indicator of future results.

For the purposes of the Benchmark Regulation, as at the date of this prospectus, the €STR index is included in the list of critical indices maintained by the European Commission according to the Benchmark Regulation.

#### 2. Service providers

The costs directly borne by the Sub-fund and invoiced by all the Sub-fund's service providers (Depositary, Administrative Agent, Domiciliary, Registrar Agent, auditor, legal advisor) shall be subject to an annual maximum of 0.2% of the Sub-fund's net assets. Any costs in excess of the aforementioned limit shall be borne by the Management Company by way of deduction from its fixed management fee.

Brokerage fees and/or securities borrowing fees paid to the Sub-fund's financial intermediaries and counterparties are not included in this 0.2% limit. The same shall apply to any stock market taxes and stamp duty the Sub-fund may have to pay on certain financial markets.

#### 12. DIVIDEND DISTRIBUTION POLICY

Share issues in the Sub-fund shall be restricted to Accumulation Shares. The shares of each Class of the Sub-fund shall therefore capitalise their income. Nevertheless, the Board of Directors reserves the right to propose to the General Meeting of Shareholders the distribution of a dividend at any time.

#### 13. TAXATION

The Sub-fund may act as a vehicle for unit-linked endowment policies (*contrats d'assurance-vie*).

The assets of the Sub-fund attributable to each share Class shall be subject to subscription tax at the following rates:

- Class A: 0.01% per year of the net asset value;
- Class A USD: 0.01% per year of the net asset value;
- Class C: 0.05% per year of the net asset value;
- Class M: 0.01% per year of the net asset value.

The tax shall be paid each quarter and its amount shall be calculated on the basis of the Sub-fund's consolidated net assets at the end of the calendar quarter in question.

**14. LISTING ON THE LUXEMBOURG STOCK EXCHANGE**

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The shares of the Sub-fund shall not be listed.

**15. SUB-FUND'S PERFORMANCE**

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The Sub-fund's performance will be described in the "Past Performances" Document available on the Management Company's Website. Past performance is no guide to future results.



**APPENDIX III – EXANE FUNDS 1 – EXANE ZEPHYR FUND (the “Sub-Fund”)**

**IN COMPLIANCE WITH THE PROVISIONS OF PART I OF THE LAW OF 2010**

**1. INVESTMENT OBJECTIVE**

The Sub-Fund’s investment objective is to outperform its benchmark indicator over the recommended investment horizon.

**2. INVESTOR PROFILE**

The Sub-Fund is intended for all categories of investors seeking an active flexible investment approach to equity markets aiming at maximising long term returns.

The recommended minimum investment horizon is three (3) years.

In terms of risk, the Sub-Fund seeks to maintain an annualised Net Asset Value volatility record of less than 10%.

**3. BENCHMARK INDICATOR**

The Sub-Fund’s benchmark indicator, denominated in EUR, is the following composite index: 30% MSCI Europe Index, calculated with net dividends reinvested and published by MSCI (**Ticker Bloomberg: MSDEE15N**) and 70% €STR Capitalization Index.

This Benchmark does not strictly define the Sub-Fund’s investment universe, but allows investors to assess the risk profile that they can expect when investing in the Sub-Fund.

For the purposes of the Benchmark Regulation, as at the date of this prospectus:  
 - the €STR index is included in the list of critical indices maintained by the European Commission according to the Benchmark Regulation;  
 - the administrator MSCI Limited of the MSCI Europe Index has not yet obtained an equivalence decision or a recognition as a third country administrator and is not listed on the register of administrators and benchmarks held by the ESMA.

**4. INVESTMENT POLICY**

**Investment universe**

The investment universe is mainly European equity stocks but the Sub-Fund may also invest up to 20% of its net assets in non-European equity stocks located in developed countries.

**Portfolio structure**

The Sub-fund is actively managed, on a discretionary basis, in accordance with the Management Company’s expectations. The portfolio structure consists of a long portfolio and a short portfolio managed from a fundamental analysis, with a directional bias. Long and short ideas are not necessarily linked and positions are mainly managed independently. The portfolio is exposed to the equity markets within the limits described below.

The Management Company combines long and short positions to cover the equity market exposure.

Long positions are taken either via the direct purchase of equities, or using derivatives, traded over the counter or on the listed market such as swaps, contract for difference (“CFDs”) or forward contracts.

The short positions section consists of hedging part of the existing long positions. Such positions are taken using derivatives (swaps, CFDs or forward contracts) traded over-the-counter or on a listed market to enable the Management Company to short a stock, sector or general index.

CFDs are OTC financial contracts through which the Fund gains exposure to fluctuations (positive or negative, depending on the direction of the transaction) of equities, baskets of equities or baskets of indices, without having to own or borrow the underlying financial instruments.

The risk arising from single or multiple instances of exposure to an increase or a fall in the equities market should not be seen in isolation, but in the context of the overall portfolio and equivalent securities held long by the Sub-fund.

The Sub-Fund references the composite index, denominated in EUR and composed of 30% MSCI Europe Index, calculated with net dividends reinvested and published by MSCI 70% €STR Capitalization Index solely for the purposes of the determination of the performance fees as described in Section 11 below. The Sub-Fund does not track the index, which does not determine the composition of the portfolio and which level is not taken into consideration in the implementation of the investment policy.

• **Extra-Financial Approach**

The Sub-Fund promotes environmental (E), social (S) and governance (G) characteristics as further described in the Environmental and/or Social Characteristics Annex relating to the Sub-Fund attached in the **Appendix IV - SFDR**. The Sub-Fund does not have a sustainable investment objective.

**Net equity exposure**

The net exposure to equity markets should be seen as the difference between a long exposure and a short exposure for hedging.

Average net equity exposure is expected to vary between 20% and 40% of net assets but, under certain market conditions assessed at the sole discretion of the Management Company, net equity exposure may be reduced to 0%, depending on its discretionary assessment of the market conditions or in the event of specific market conditions, such as a sudden reversal of the stock market.

**Gross exposure**

The gross exposure of the portfolio is expected to vary between 150% and 190% of net assets. However, the portfolio’s total gross exposure to equity market risks (the sum of the long and hedged positions) may vary depending on the Management Company’s expectations and the market conditions as, for example, a sudden reversal of equity market.

Any use of derivatives will be kept consistent with the investment objective and will not lead the Sub-Fund to diverge from its risk profile.

The Sub-Fund’s use of, or investment in, SFTs and total return swaps will be as follows:

Type of transactions	Under normal circumstances, it is generally expected that the principal amount of such transactions will not exceed a proportion of the Sub-Fund’s net asset value indicated below. In certain circumstances this proportion may be higher.	The principal amount of the Sub-Fund’s assets that can be subject to the transactions may represent up to a maximum of the proportion of the Sub-Fund’s Net Asset Value indicated below.
Total return swaps / contracts for difference	170%	190%

The Sub-Fund may invest in unfunded total return swaps with the following underlying: equity and indices on equity. Typically investments in such instruments is made to adjust the portfolio's market exposure in a more cost efficient way.

The Sub-fund will not use techniques and instruments related to securities financing transactions, such as securities lending, repurchase and reverse repurchase transactions, buy-sell back or sell-buy back transactions, for efficient portfolio management purposes.

#### Investment technique

For efficient portfolio management purposes, the Sub-Fund may (i) use derivatives traded over-the-counter or on the listed market such as swaps, CFDs forward contracts or futures and (ii) hold money market instruments.

The money market part is managed either through reverse repurchase agreements or through debt securities issued by sovereign, banking or private issuers with a maximum residual maturity of three (3) months and a minimum short-term rating equivalent to A1 on the Standard & Poor's rating scale or P1 on the Moody's rating scale, or through money market funds.

The purchase of units of mutual funds within the Sub-Fund is limited strictly to European UCITS-compliant money market funds, up to a maximum 10% of the net assets, for the purpose of managing the Sub-Fund's cash surpluses. These funds are selected with a view to safeguard the capital rather than boosting performance.

#### • Global Risk

The Sub-Fund applies the Absolute Value at Risk approach to calculate its global exposure due to the use of financial derivative instruments as further explained in section VII. "Risk Management" of the Prospectus.

The expected leverage (sum of notional on financial contracts) shall be around 180% of the Sub-Fund's net assets. It may be lower or higher depending when there are exceptional circumstances like, for example, an important shift in the equity market.

## 5. SUB-FUND RISK PROFILE

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The risks specific to this Sub-Fund are as follows:

- **Capital risk:** the Sub-Fund does not offer any guarantee with regard to the capital invested. Investors may get back less than they originally invested.
- **Equity risk:** the Sub-Fund is exposed to the risk that the stock market value of the companies in which it invests may fall. The Sub-Fund's investment strategies generate also certain risks in relation with short positions. These risks may result in a fall in the value of the assets under management if these securities outperform the long portfolio.
- **Risks associated with mid-cap companies:** the Sub-Fund may invest part of its assets in securities of mid-cap companies, thereby exposing itself to greater risks than if it had invested in the securities of larger or longer established companies. Securities of mid-cap companies may be significantly less liquid and more volatile than those of companies with a larger market capitalisation.
- **Risks associated with the arbitrage technique:** the Sub-fund's investment strategies generate certain risks specific to the arbitrage technique. The arbitrage technique consists of a simultaneous investment in a portfolio of long positions on companies deemed undervalued and, as a hedge, a portfolio of short positions on companies deemed overvalued (via financial contracts). These risks may result in a fall in the value of the assets under management if the short positions outperform the long portfolio. In addition, the arbitrage technique implemented may also generate significant portfolio rotation.
- **Credit risk:** the Sub-Fund may be exposed to credit risk through investments made in debt securities of private issuers in order to manage the money market portfolio. Credit risk is the risk whereby an issuer cannot meet its liabilities or the issuer rating is downgraded. Credit risk is ancillary since the

probability of an issuer default is very low as the Sub-Fund invests only in securities of leading issuers with maturities of less than three months.

- **Interest rate risk:** the Sub-Fund may invest some of its assets in debt securities or money market instruments whose value is sensitive to fluctuations in interest rates linked to their reference monetary area. Sensitivity to such an occurrence is however very low insofar as the Sub-fund only invests in the securities of prime issuers, with maturities of less than three months
- **Foreign exchange risk:** the Sub-Fund is exposed to the risk that the investment currencies could weaken against the portfolio's base currency, the euro.
- **Liquidity risk:** the markets in which the Sub-Fund participates may be subject to temporary illiquidity. These market distortions could have an impact on the pricing conditions under which the Sub-Fund may be caused to liquidate, initiate or modify its positions.
- **Risk associated with discretionary management:** discretionary management relies on the Management Company's expectations of evolution of the different markets. There is therefore a risk that the Sub-Fund may not be invested at all times in the best performing instruments.
- **Counterparty risk:** the Sub-Fund may incur losses through its commitments vis-à-vis a counterparty on its swap, CFD, forward, repurchase or reverse repurchase transactions in the event of the counterparty's default or its inability to fulfil its contractual obligations.
- **Sustainability Risks:** The Sub-Fund performance may be impacted by a broad spectrum of Sustainability Risks affecting the companies in which it invests. As the Sub-Fund is broadly diversified, it is not anticipated that any single Sustainability Risk will drive a material negative financial impact on the value of the Sub-Fund. By taking into account ESG criteria within its investment process, it is intended that the overall Sustainability Risk of the Sub-Fund is mitigated and therefore the potential impact of the Sustainability Risks on the value of the investments of the Sub-Fund should also be mitigated. No guarantee is given that the ESG criteria will completely remove the Sustainability Risks. Further information can be found in Section XVI. "Sustainability-related disclosures".

- **Total return swaps:** Please refer to section VI. under "Certain Financial Instruments EPM Risks".

The Sub-fund's performance depends primarily on:

- a) the quality of the stock selection undertaken by the Management Company, in the case of both long and short positions;
- b) the ability of the Management Company to adjust its net exposure to the equity markets, depending on the expected upturn or downturn in these markets.

## 6. REFERENCE CURRENCY OF THE SUB-FUND

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EUR.

## 7. CLASSES OF SHARES

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Four (4) classes of shares are available in the Sub-fund, with the following characteristics:

- Class A – Accumulation: EUR – ISIN code: LU1336183840
- Class F – Accumulation : EUR – ISIN code: LU1438553841
- Class B – Accumulation: EUR – ISIN code: LU1336184491
- Class C – Accumulation: EUR – ISIN code: LU1438554146

Class "A" is intended exclusively for Institutional Investors.

Class F is intended exclusively for Institutional Investors. Holding of Class F is restricted to investors who have subscribed in the compartment Exane Zephyr Fund of the Exane Funds 2 SICAV and are defined as seeding investors ("Seeding Investors"). Class F is closed to new subscriptions from Seeding Investors unless specific resolution from the Board of Directors.

Class "B" is intended for all investors.

Class "C" is reserved for :

- (i) Investments from the Management Company's employees and its affiliates (managing directors included) either made directly or through funds managed by the Management Company;
- (ii) investments from funds of funds managed by the Management Company;
- (iii) discretionary management portfolio managed by the Management Company.

Shares of Classes "A", "B" and "C" are opened to subscription from the merger date with the compartment Exane Zephyr Fund of the Exane Funds 2 SICAV and the subscription and redemption requests will be received and dealt with in accordance with the provisions set out below.

Institutional Investors include, without limitation:

- legal entities subscribing on their own account or on behalf of clients, on a discretionary basis or pursuant to an investment advice provided on an independent or non-independent basis as defined by the MiFID II Directive, provided that in the latter case the distributor or the financial intermediary is exclusively remunerated by its client;
- legal entities subscribing on behalf of individuals or legal entities pursuant to a discretionary portfolio management mandate as defined by the MiFID II Directive;
- legal entities subscribing on behalf of individuals pursuant to a unit-linked endowment policy (*contrat d'assurance-vie*),
- pension funds; and
- UCIs,

as described in greater details in section VIII.1.A of this Prospectus.

## 8. SUBSCRIPTIONS AND REDEMPTIONS

Subscription and redemption requests must be received by the Registrar and Transfer Agent and processed at an unknown net asset value in accordance with the rules set out below. Requests are accepted for a set amount, or for a number of units.

Centralisation of orders	Orders Trade Date	NAV calculation and publication date	Orders Settlement Date
Noon CET on the Valuation Day (D)	Valuation Day (D)	First Business Day after the Valuation Day (D+1)	Two bank Business Days after the Valuation Day (D+2)

When the Paris Stock Market is closed, the Registrar and Transfer Agent shall not receive subscription and redemption requests.

"Paris Stock Market" shall mean the Euronext Paris regulated market. The days on which the Paris Stock Market is opened are worked out by the Euronext Paris' calendar.

## 9. MINIMUM HOLDING AND SUBSCRIPTION REQUIREMENTS

### Minimum initial subscription

- Class A: EUR 10,000 Euros
- Class F: EUR 5,000,000 Euros
- Class B: 1 Share
- Class C: 1 Share

### Minimum holding:

- Class A: none

- Class F: none
- Class B: none
- Class C: none

### Minimum subsequent subscription:

- Class A: none
- Class F: none
- Class B: none
- Class C: none

Shares may be subscribed and redeemed in thousandths of units, over and above the minimum amount.

## 10. FREQUENCY AND CALCULATION OF THE NET ASSET VALUE AND VALUATION DAY

The net asset value is calculated each day by the Administrative Agent on the basis of the closing prices available in Paris on the Valuation Day.

The Valuation Day is each Paris stock market Business Day, or if this day is a day on which the Paris Stock Market is closed, the Valuation Day is the next Business Day.

The net asset value dated on the Day (D) is calculated and disseminated on the Business Day following the Valuation Day (D+1).

## 11. FEES BORNE BY THE INVESTOR

Class	Subscription fee	Redemption
A	None	None
B	A subscription fee payable to the Intermediary of the transaction not exceeding 2.5 % of the net asset value per share.	None
C	None	None
F	None	None

## 12. FEES BORNE BY THE SUB-FUND

### 1. Management Company

At the end of each quarter, the Management Company shall receive a fixed management fee, charged to the assets of the Sub-fund and calculated as follows:

- Class A: an annual rate of 1.2% of the average net assets of the Sub-fund attributable to the share Class.
- Class F: an annual rate of 0.8% of the average net assets of the Sub-fund attributable to the share Class.
- Class B: an annual rate of 2% of the average net assets of the Sub-fund attributable to the share Class.
- Class C: an annual rate of 0.3% of the average net assets of the Sub-fund attributable to the share Class.

The Management Company shall also receive a **Variable Management Fee** charged to the assets of the Sub-fund for the Classes A, F and B, equal to 15% of the annual Performance Margin, subject to a mechanism of compensation of past underperformance and a positive YTD Performance.

The Variable Management Fee is calculated for each Reference Period (as defined below) using the mechanisms described below.

The Variable Management Fee is calculated and accrued on a daily basis and is paid annually at the end of each Reference Period.

“**Reference Periods**” are periods during which the performance of the Sub-Fund is measured and compared with that of the Benchmark and at the end of which the mechanism for the compensation for past underperformance can be reset. A Reference Period starts on the date of the launch of the Sub-Fund or of a new share class or on the date of the last crystallization of a Variable Management Fee.

The Reference Periods are a minimum of one year, corresponding to a Sub-Fund's financial year, and a maximum of five (5) years. In the case of the creation of a new Share Class during a year, the first Reference Period is increased by a period equal to the remainder of the financial year in progress at the date of launch or creation.

Any underperformance of the Sub-Fund is brought forward for a maximum period of five (5) years and needs to be recovered before a Variable Management Fee is accrued and paid. If a year of underperformance is recorded and not compensated for at the end of a Reference Period, a new Reference Period will start from the end of the year in which this underperformance was recorded.

“**Crystallization Frequency**” means the frequency at which the accrued Variable Management Fee, if any, becomes payable to the Management Company. It is set for one year, except in the case of the creation of the Sub-Fund or a new Share Class, where the minimum Crystallisation Frequency for the first Reference Period is increased by a period equal to the remainder of the financial year in progress at the date of creation.

The crystallization date occurs at the end of a financial year.

In the event of a redemption during a Reference Period, the proportion of the Variable Management Fee in respect of the Shares concerned shall be crystallised and shall therefore remain irrevocably due to the Management Company. This crystallised share of the Variable Management Fee shall be paid to the Management Company at the end of the relevant quarter.

In addition, no Variable Management Fee shall crystallise where the Sub-Fund or Share Class is merged with a newly established receiving UCITS or sub-fund with no performance history and with an investment policy not substantially different from that of this Sub-Fund. In that case, the performance reference period of this Sub-Fund shall continue applying in the receiving UCITS or sub-fund.

The Variable Management Fee should be calculated based on the net asset value per share, net of all costs (excluding the variable management fees) and by taking into account the same subscriptions and redemptions during the Reference Period.

The Management Company provides investors, upon request, with the calculation methodology of the foregoing Variable management Fee.

Variable Management Fee calculation:

The Variable Management Fee is only activated and accrued when:

- (1) the YTD Performance is positive;
- (2) the Performance Margin is above the Performance Margin To Be Exceeded; and when,
- (3) the Performance Margin is positive.

“**Performance Margin**” means the positive difference between the performance of the Sub-Fund and that of the Benchmark, since inception, on the proportion of the assets attributable to the related Share Class.

“**Performance Margin To Be Exceeded**” means the highest Performance Margin recorded at the end of each fiscal year over the Reference Period.

If these three conditions are verified, the Variable Management Fee will be computed as the percentage mentioned above of the minimum between Performance Margin minus Performance Margin To Be Exceeded and the YTD Performance.

The following illustrative example describes the mechanism of compensation of past underperformance.

Illustrative example:

This illustrative example does not represent the past performance of the Sub-fund nor is it an indicator of future results.

Year	Benchmark Indicator	Sub-Fund	Performance Margin	YTD Performance	Performance Margin To Be Exceeded	YTD Performance Positive	Variable Management Fee
Y1	98	103	5	3	0	YES	0.45
Y2	90	98	8	-5	5	NO	0
Y3	95	105	10	7	8	YES	0.3
Y4	95	110	15	5	10	YES	0.75
Y5	90	105	15	-5	15	NO	0
Y6	100	95	-5	-10	15	NO	0
Y7	80	85	5	-10	15	NO	0
Y8	80	90	10	5	15	YES	0
Y9	85	96	11	6	15	YES	0
Y10	80	92	12	-4	15	NO	0
Y11	80	95	15	3	12	YES	0.45

Narratives :

Year	Explanation
Y1	During this first year, the Variable Management Fee is activated and accrued during the Reference Period when the Performance Margin is positive. At the end of the Reference Period, a performance fee is charged for an amount equal to 15% of the YTD Performance. The Performance Margin noticed at the end of this first Reference Period defines the Performance Margin To Be Exceeded for the subsequent period.
Y2	The YTD Performance is not positive, thus no performance fee is accrued nor paid. There is no change in the Performance Margin To Be Exceeded which will be used for the subsequent period.
Y3	At the end of the Reference Period, a performance fee is charged to the Sub-Fund for an amount equal to 15% of the difference between the Performance Margin and the Performance Margin To Be Exceeded. The Performance Margin noticed at the end of this Reference Period defines the Performance Margin To Be Exceeded for the subsequent period.
Y4	At the end of the Reference Period, a performance fee is charged to the Sub-Fund for an amount equal to 15% of the difference between the Performance Margin and the Performance Margin To Be Exceeded. The Performance Margin noticed at the end of this Reference Period defines the new Performance Margin To Be Exceeded for the subsequent period.

Year	Explanation
Y5	The Performance Margin is positive, but the YTD Performance is negative, thus no performance fee is accrued nor paid. The Performance Margin noticed at the end of this Reference Period defines the new Highest Performance Margin To Be Exceeded for the subsequent period.
Y6	The Performance Margin and the YTD Performance are both negative, thus no performance fee is accrued nor paid. The Performance Margin To Be Exceeded recorded in Y5 will be used for the subsequent period.
Y7	The YTD Performance is negative, thus no performance fee is accrued nor paid. The Performance Margin To Be Exceeded recorded in Y5 will be used for the subsequent period.
Y8	The Performance Margin and the YTD Performance are both positive, but the Performance Margin is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid as the residual underperformance coming from Y6 is not yet compensated. The Performance Margin To Be Exceeded recorded in Y5 will be used for the subsequent period.
Y9	The Performance Margin and the YTD Performance are both positive, but the Performance Margin is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid as the residual underperformance coming from Y6 is not yet compensated. The Performance Margin To Be Exceeded recorded in Y5 will be used for the subsequent period.
Y10	The Performance Margin and the YTD Performance are both positive, but the Performance Margin is below the Performance Margin To Be Exceeded, thus no performance fee is accrued nor paid as the residual underperformance coming from Y6 is not yet compensated. The Performance Margin noticed at the end of this Reference Period defines the new Performance Margin To Be Exceeded for the subsequent period.
Y11	At the end of the Reference Period, a performance fee is charged to the Sub-Fund for an amount equal to 15% of the YTD Performance. The residual underperformance coming from Y6 is no longer taken into account as the five-year period has elapsed. The Performance Margin noticed at the end of this Reference Period defines the Performance Margin To Be Exceeded for the subsequent period.

The tax shall be paid each quarter and its amount shall be calculated on the basis of the Sub-fund's consolidated net assets at the end of the calendar quarter in question.

#### **15. LISTING ON THE LUXEMBOURG STOCK EXCHANGE**

The shares of the Sub-fund shall not be listed.

#### **16. SUB-FUND'S PERFORMANCE**

The Sub-fund's performance is described in the "Past Performances" Document available on the Management Company's website. Past performance is no guide to future results.

#### **2. Service providers**

The costs directly borne by the Sub-fund and invoiced by all the Sub-fund's service providers (Depositary, Administrative Agent, Domiciliary, Registrar and Transfer Agent, auditor, legal advisor) shall be subject to an annual maximum of 0.2% of the Sub-fund's average net assets. Any costs in excess of the aforementioned limit shall be borne by the Management Company by way of deduction from its fixed management fee.

Brokerage fees and/or securities borrowing fees paid to the Sub-fund's financial intermediaries and counterparties are not included in this 0.2% limit. The same shall apply to any stock market taxes and stamp duty the Sub-fund may have to pay on certain financial markets.

#### **13. DIVIDEND DISTRIBUTION POLICY**

The shares of each Class of the Sub-fund shall capitalise their income. Nevertheless, the Board of Directors reserves the right to propose to the General Meeting of Shareholders the distribution of a dividend at any time.

#### **14. TAXATION**

The assets of the Sub-fund attributable to each share Class shall be subject to the following subscription tax:

- Class A: 0.01% per year of the net asset value;
- Class F: 0.01% per year of the net asset value;
- Class B: 0.05% per year of the net asset value;
- Class C: 0.05% per year of the net asset value.

APPENDIX IV - SFDR

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 (SFDR) and Article 6, first paragraph, of Regulation (EU) 2020/852 (Taxonomy)

ANNEX SFDR – EXANE CERES FUND

Product name: EXANE FUNDS 1 - EXANE CERES FUND (the "Sub-Fund")

Legal entity identifier: 529900SYOK4VI5Z75F43

Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b>: ___%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b>: ___%</p>	<p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <b>20%</b> of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



What environmental and/or social characteristics are promoted by this financial product?

The Sub-Fund's promotion of environmental and social characteristics consists of favouring, within the investment universe, those companies that best address the environmental and social risks and factors they face and adapt their business models and strategies to these new challenges.

The Fund also seeks to maintain the average carbon intensity of its portfolio below that of its investment universe.

In addition, the Sub-Fund has an exclusion policy based in particular on strict exclusions for companies not complying with international conventions (Oslo/Ottowa), country exclusions (OFAC) and sectoral exclusions, as further detailed below.

Finally, the Management Company implements an active engagement approach in its investments, through an ongoing and documented dialogue with the invested companies and formalised in an engagement policy.

No specific index has been designated as a reference benchmark to determine whether the Sub-Fund is aligned with the environmental and/or social characteristics that it promotes.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators used to measure the attainment of each of the promoted environmental or social characteristics are as follows:

- ESG risk ratings on the Sub-Fund's portfolio and initial investment universe (global, with an emphasis on Europe) attributed by Sustainalytics®, an external source and recognised market reference in ESG analysis adopting a sectoral risk approach consistent with the investment philosophy of the Sub-Fund, and those resulting from the Management Company's internal analysis entered in a proprietary tool "i-ESG";
- the difference between the average ESG risk rating of the long portfolio and the average ESG risk rating of the initial universe;
- the average carbon intensity of the portfolio (tCO2/mEUR of turnover; aggregated at portfolio level; scope 1 +2 of the GHG Protocol) and of the Sub-Fund's investment universe;
- the share of investments involved in all the excluded activities described below;
- the share of sustainable investments.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The sustainable investment objectives that the Sub-Fund partially intends to make are:

- Contribution to the United Nations' Sustainable Development Goals (SDGs). The objectives may be social and/or environmental. A company's positive exposure to the SDGs is thus analyzed to assess the ability of its products and services to meet environmental and societal challenges, such as access to renewable energies, efficient resource management or access to healthcare services. For each company, the Management Company collects from Sustainalytics® a list of its activities linked to each of the 17 SDGs. An investment is identified as having a positive contribution if at least one of its activities

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

(measured as a share of turnover of the company (%)) is strictly greater than 0.1% for at least one of the SDGs;

- A minimum governance score of 40/100 (as attributed by the above-mentioned external source) is required;
- An objective of absence of controversies at an estimated level of severity at 4 or 5 according to the same external source: Sustainalytics® provides a score, ranging from 1 to 5 (5 being the worst score), which measures the severity of a company's controversies. The Management Company excludes from the definition of sustainable investment any company whose score, as estimated by the external source, is equal to 4 or 5.

For an investment to qualify as sustainable, it must cumulatively meet the three criteria listed above. The sustainable nature of an investment is assessed at the level of the investee company. The Sub-Fund is not currently committed to investing in sustainable investments with an environmental objective aligned with the EU taxonomy.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

To ensure that the Sub-Fund's sustainable investments do not cause significant harm to any environmental or social objective ("**DNSH**"), the Management Company performs an initial filter against its ESG exclusion lists, takes into account the principal adverse impacts (PAI) of these investments on sustainability factors, and verifies that the investment is free from controversies with an estimated severity level of 4 or 5 (source: Sustainalytics®).

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Taking into account adverse impact indicators is based on monitoring the 14 mandatory Principal Adverse Impact indicators listed in Table 1 of Annex I of the European Commission's Delegated Regulation (EU) 2022/1288, combined with the application of specific thresholds or rules:

- Be exempt from any activity negatively affecting the biodiversity of sensitive areas (unit: yes/no);
- Have a company board whose diversity is at least 25% and which does not belong to the last decile compared with other companies in its sector (unit: %).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Through the consideration of PAIs, and in particular the use of the following social PAIs, the investments of the Sub-Fund comply with the targeted principles:

- Violation of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,
- Absence of processes and mechanisms to monitor compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes,

The Management Company takes into consideration the principal adverse impacts ("PAIs") applicable to the Sub-Fund's strategy. The consideration of the PAIs is reflected in the integration and exclusion approaches (normative and sectoral):

**Integration:** The purpose of conducting ESG analysis is to mitigate key negative sustainability impacts. Particular attention is paid to the mitigation of PAIs covering the GHG emissions reduction trajectory (PAI 1) and working conditions of employees and in the value chain (PAIs 10 and 11).

For GHG emissions, the reduction targets, their validation by an independent body (SBTi), the associated capital expenditure and the level of communication (reflected in the CDP score) supporting their credibility are analysed.

With regard to working conditions, the Management Company closely monitors the international standards respected by companies (UNGP, OECD and ILO texts) and their inclusion in a code of conduct, the training provided for this purpose and due diligence practices, particularly in the sectors most prone to problems of forced labour and child labour (such as food production or clothing).

**Exclusion:** The exclusion policy covers the most important risks related to sustainability factors and is applied in a binding and continuous manner. In particular, the exclusion policy targets many controversial weapons as well as companies that are not compliant with the United Nations Global Compact principles, in line with PAIs 10, 11 and 14 covering these aspects. The discretionary exclusion list is also updated regularly to allow for dynamic consideration of the PAIs. The Sub-Fund also makes sector exclusions based on, among other things, high carbon intensity. The energy, oil, mining and utilities sectors are thus excluded. PAIs 1, 2 and 3 are thus centrally considered in the construction of the portfolio. In addition, the Sub-Fund's long portfolio has an improvement target on PAI 3 (compared to the investment universe). The discretionary exclusion list is also updated regularly to allow for dynamic consideration of IAPs.

The consideration of the Principal Adverse Impacts in order to assess DNSH with respect to sustainable investments is specified above.

More information on how the PAI on sustainability factors have been taken into account will be available in the Sub-Fund's periodic reports.

No



### What investment strategy does this financial product follow?

Prior to any investment, the Management Company analyses each company from the perspective of its environmental (E), social (S) and governance (G) characteristics. The management team is particularly vigilant about the progress made by companies, the commitments they make for the future and any emerging controversies that may lead to rapid divestment.

Each investment opportunity is analysed in relation to ESG criteria, based on external data supplemented by an internal analysis based on the specific expertise of the Management Company.

The external data include ESG ratings and analysis supplied by a well-known market reference in ESG analysis, indicators developed by specialised players and ESG research provided by brokers.

ESG characteristics and the sustainability factors or risks associated with the investments are assessed by the Management Company through:

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

1. **an INTEGRATION approach**, favouring within the investment universe, on the basis of ESG ratings supplied by the external source Sustainalytics® supplemented by internal analysis, companies that best address the sustainability risks or factors they face and adapt their business models and strategies to these new challenges. The assessment is made on a case-by-case basis, and on the basis of intra-sectoral comparisons.

At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis.

The Management Company undertakes to ensure that the average ESG risk rating of the long portfolio is better than that of its investment universe.

2. **an EXCLUSION policy**, consisting of (i) a list based on strict sub-sector exclusions related to controversial activities and values not complying with the United Nations Global Compact principles (details of which are available on [https://exane-am/ESG\\_investment\\_process](https://exane-am/ESG_investment_process)), (ii) a list based on country exclusions (OFAC) and (iii) a list of stock exclusions based on ESG considerations.

The latter is determined by, among other things, high carbon intensity, with the investment universe being negatively screened to exclude sectors with high carbon intensity: the energy, oil, mining and utilities sectors are largely excluded, with the exception of companies whose activity results in a carbon intensity that is very significantly lower than the average for companies in the same sector, and in line with the market.

Further information on the exclusion lists is available on: [https://exane-am/ESG\\_investment\\_process](https://exane-am/ESG_investment_process).

The ESG exclusion applies to long positions in the portfolio only.

3. **a COMMITMENT approach**, that takes the form of a constant and documented dialogue with companies' management in long and short positions. Within this framework, the Management Company aims to encourage issuers towards greater transparency and comparability with regard to ESG issues and the precise objectives that they may set for themselves on these issues in the medium and long term, both through direct dialogue and by joining in with market initiatives.

4. **a CARBON REDUCTION approach** whereby the Management Company ensures that the average carbon intensity of the Fund's long portfolio remains below the average carbon intensity of the Fund's investment universe.

The carbon reduction analysis applies only to long positions in the portfolio.

Exceptionally, the Management Company may select an investment opportunity even if it has a low ESG rating (risk rating by the external source above 30), as a result of which certain investment decisions may not be ESG compliant.

However, this selection must remain exceptional and meet the following criteria :

- the internal analysis carried out by the Management Company concludes that the company concerned is subject to a high discount on its ESG rating;
- the company's management undertakes to make the necessary changes to significantly improve its ESG risk rating, without this being to the detriment of the company's profitability;
- regular exchanges with management are maintained.

These investment decisions and the monitoring of these criteria will be reviewed more frequently by the Management Company.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements used to select the Sub-Fund's investments include the following main elements:

- **Integration approach:**

- ESG Analysis > 90% of the portfolio

At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis;

- Long portfolio ESG risk rating < Investment universe ESG risk rating

This is to ensure that the weighted average of the ESG risk ratings (as attributed by the external source as mentioned above) of the long equity portfolio is better (thus lower) than that of its investment universe, which is defined as the global equity, with an emphasis on Europe;

- Proportion of the long portfolio with an ESG risk rating above 30 < to 15%

This is to ensure that the proportion of securities in the long equity portfolio with an ESG risk rating above 30 as attributed by the external source does not exceed 15% of the long portfolio.

- **Exclusion policy:**

This is to ensure that none of the Sub-Fund's long positions violate the Sub-Fund's exclusion policies.

- **Carbon reduction approach :**

- Carbon intensity of the long portfolio < Carbon intensity of the investment universe

The aim is to ensure that the average carbon intensity of the long equity portfolio (tCO2/mEUR of turnover; aggregated at portfolio level; scope 1 +2 of the GHG protocol) is lower than that of its investment universe (global equity market, with a preponderance of Europe).

- **Sustainable investments:**

The Sub-Fund invests at least 20% of the long exposure of the portfolio in sustainable assets as defined above.

ESG data used for the selection process may potentially be inconsistent, missing or not accessible, particularly when such ESG data is provided by external providers:

- Missing or incomplete disclosure of ESG information by the issuing companies,
- Sometimes complex identification of information and factors relevant to the ESG analysis of the provider's model.

These points constitute methodological limitations to the ESG rating process used.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not Applicable (N/A). The Sub-Fund does not commit to a minimum rate of reduction in the scope of investments contemplated prior to the implementation of the investment strategy.

● **What is the policy to assess good governance practices of the investee companies?**

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Firstly, governance practices are taken into consideration in the integration policy of the Sub-Fund, through the analysis of governance ratings, in particular in the field of Corporate Governance (including: Board structure, Remuneration policy, treatment of minority shareholders).

In addition, the Management Company engages in a regular dialogue with the management teams of the companies in which the Sub-Fund is invested in order to gain a better understanding of all these aspects. This dialogue constitutes a constructive approach by which the Management Company seeks to understand and analyse the issues and practices of the companies.

As the Sub-Fund intends to invest across all sectors, the Management Company is particularly vigilant with regard to the notion of transparency and quantifiable commitments from issuers regarding any planned progress over the next few years, ideally backed by empirically measurable criteria, which contribute materially to an improvement in practices.

The Management Company has formalised an engagement policy in order to enhance its approach of dialogue with the companies within the investment universe.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives are necessary for the implementation of the Sub-Fund's long/short strategy.

These derivatives are either directly linked to an underlying asset (equity CFDs) allowing the integration of ESG characteristics into investment decisions or linked to an index representative of the investment universe or a given sector, in each case according to a transparent approach for rating purposes.

Long and short positions are not compensated in terms of ESG data (rating, CO2 emissions, carbon intensity).



● **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Sub-Fund may invest in environmentally sustainable economic activities; however the Sub-Fund's investments do not take into account the European Union's criteria for environmentally sustainable economic activities.

However, this position will be reviewed as the underlying rules are finalised and the availability of reliable data increases over time.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup> ?**

Yes:  In fossil gas  In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

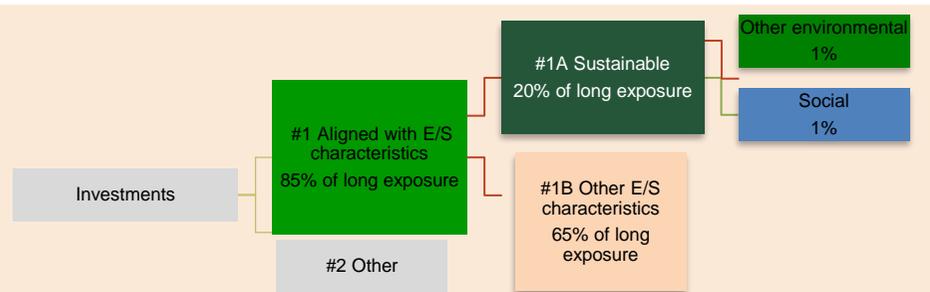
**What is the asset allocation planned for this financial product?**

**Asset allocation** describes the share of investments in specific assets.

A minimum of 85% of the long exposure of the portfolio will be invested in issuers aligned with the promoted E/S characteristics (#1 Aligned with E/S characteristics).

The minimum proportion of sustainable investments is 20% of long exposure (long positions excluding money market pocket).

Investments included under "#2 Other" may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio. These investments included under "#2 Other" may be invested in issuers that are not aligned with the promoted E/S characteristics (#2 Other).



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

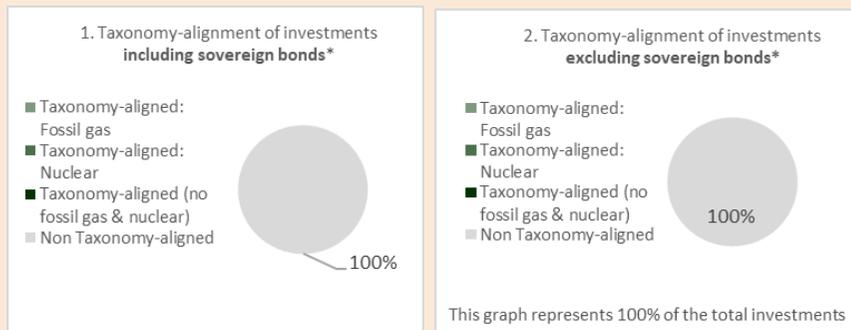
The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

• **What is the minimum share of investments in transitional and enabling activities?**

The Sub-Fund does not commit to invest any "sustainable investment" within the meaning of the Taxonomy Regulation.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy is 1%.

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of socially sustainable investments is 1%.



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

Investments included under "#2 Other" may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio.

The money market fund and the short portfolio are subject to ESG analysis but none of the investments under "#2 Other" are not subject to minimum or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not Applicable (N/A).

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.exane-am.com/s/exane-fonds?language=en\\_US&mktfam=lsa&fundId=a0e000000uUQTQA2](https://www.exane-am.com/s/exane-fonds?language=en_US&mktfam=lsa&fundId=a0e000000uUQTQA2)

## ANNEX SFDR – EXANE OVERDRIVE FUND

**Product name:** EXANE FUNDS 1 – EXANE OVERDRIVE FUND (the "Sub-Fund")

**Legal entity identifier:** 529900KI8AF4GJLJFT38

### Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

#### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of sustainable investments with an environmental objective: \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of sustainable investments with a social objective: \_\_\_%

No

It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not** make any sustainable investments



#### What environmental and/or social characteristics are promoted by this financial product?

The Sub-Fund's promotion of environmental and social characteristics consists of favouring, within each sector of activity, those companies that best address the environmental and social risks and factors they face and adapt their business models and strategies to these new challenges.

In addition, the Sub-Fund has an exclusion policy based in particular on strict exclusions for companies not complying with international conventions (Oslo/Ottowa), country exclusions (OFAC) and sectoral exclusions, as further detailed below.

Finally, the Management Company implements an active engagement approach in its investments, through an ongoing and documented dialogue with the invested companies and formalised in an engagement policy.

No specific index has been designated as a reference benchmark to determine whether the Sub-Fund is aligned with the environmental and/or social characteristics that it promotes.

#### What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators used to measure the attainment of each of the promoted environmental or social characteristics are as follows:

- ESG risk ratings on the Sub-Fund's portfolio and initial investment universe (global, with an emphasis on Europe) attributed by Sustainalytics®, an external source and recognised market reference in ESG analysis adopting a sectoral risk approach consistent with the investment philosophy of the Sub-Fund, and those resulting from the Management Company's internal analysis entered in a proprietary tool "i-ESG";
- the difference between the average ESG risk rating of the long portfolio and the average ESG risk rating of the initial universe;
- the share of investments involved in all the excluded activities described below.
- the share of sustainable investments.

#### What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The sustainable investment objectives that the Sub-Fund partially intends to make are:

- Contribution to the United Nations' Sustainable Development Goals (SDGs). The objectives may be social and/or environmental. A company's positive exposure to the SDGs is thus analyzed to assess the ability of its products and services to meet environmental and societal challenges, such as access to renewable energies, efficient resource management or access to healthcare services. For each company, the Management Company collects from Sustainalytics® a list of its activities linked to each of the 17 SDGs. An investment is identified as having a positive contribution if at least one of its activities (measured as a share of turnover of the company (%)) is strictly greater than 0.1% for at least one of the SDGs;
- A minimum governance score of 40/100 (as attributed by the above-mentioned external source) is required;
- An objective of absence of controversies at an estimated level of severity at 4 or 5 according to the same external source: Sustainalytics® provides a score, ranging from 1 to 5 (5 being the worst

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

score), which measures the severity of a company's controversies. The Management Company excludes from the definition of sustainable investment any company whose score, as estimated by the external source, is equal to 4 or 5.

For an investment to qualify as sustainable, it must cumulatively meet the three criteria listed above. The sustainable nature of an investment is assessed at the level of the investee company. The Sub-Fund is not currently committed to investing in sustainable investments with an environmental objective aligned with the EU taxonomy.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

To ensure that the Sub-Fund's sustainable investments do not cause significant harm to any environmental or social objective ("**DNSH**"), the Management Company performs an initial filter against its ESG exclusion lists, takes into account the principal adverse impacts (PAI) of these investments on sustainability factors, and verifies that the investment is free from controversies with an estimated severity level of 4 or 5 (source: Sustainalytics®).

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Taking into account adverse impact indicators is based on monitoring the 14 mandatory Principal Adverse Impact indicators listed in Table 1 of Annex I of the European Commission's Delegated Regulation (EU) 2022/1288, combined with the application of specific thresholds or rules:

- Be exempt from any activity negatively affecting the biodiversity of sensitive areas (unit: yes/no);
- Have a company board whose diversity is at least 25% and which does not belong to the last decile compared with other companies in its sector (unit: %).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Through the consideration of PAIs, and in particular the use of the following social PAIs, the investments of the Sub-Fund comply with the targeted principles:

- Violation of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,
- Absence of processes and mechanisms to monitor compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes,

the Management Company takes into consideration the principal adverse impacts ("PAIs") applicable to the Sub-Fund's strategy. The consideration of the PAIs is reflected in the integration and exclusion approaches (normative and sectoral):

**Integration:** The purpose of conducting ESG analysis is to mitigate key negative sustainability impacts. Particular attention is paid to the mitigation of PAIs covering the GHG emissions reduction trajectory (PAI 1) and working conditions of employees and in the value chain (PAIs 10 and 11).

For GHG emissions, the reduction targets, their validation by an independent body (SBTi), the associated capital expenditure and the level of communication (reflected in the GDP score) supporting their credibility are analysed.

With regard to working conditions, the Management Company closely monitors the international standards respected by companies (UNGP, OECD and ILO texts) and their inclusion in a code of conduct, the training provided for this purpose and due diligence practices, particularly in the sectors most prone to problems of forced labour and child labour (such as food production or clothing).

**Exclusion:** The exclusion policy covers the most important risks related to sustainability factors and is applied in a binding and continuous manner. In particular, the exclusion policy targets many controversial weapons as well as companies that are not compliant with the United Nations Global Compact principles, in line with PAIs 10, 11 and 14 covering these aspects. The discretionary exclusion list is also updated regularly to allow for dynamic consideration of the PAIs.

The consideration of the Principal Adverse Impacts in order to assess DNSH with respect to sustainable investments is specified above.

More information on how the PAI on sustainability factors have been taken into account will be available in the Sub-Fund's periodic reports.

No



## What investment strategy does this financial product follow?

Prior to any investment, the Management Company analyses each company from the perspective of its environmental (E), social (S) and governance (G) characteristics. The management team is particularly vigilant about the progress made by companies, the commitments they make for the future and any emerging controversies that may lead to rapid divestment.

Each investment opportunity is analysed in relation to ESG criteria, based on external data supplemented by an internal analysis based on the specific expertise of the Management Company.

The external data include ESG ratings and analysis supplied by a well-known market reference in ESG analysis, indicators developed by specialised players and ESG research provided by brokers. ESG characteristics and the sustainability factors or risks associated with the investments are assessed by the Management Company through:

1. **an INTEGRATION approach**, favouring within each sector of activity, on the basis of ESG ratings supplied by the external source Sustainalytics® supplemented by internal analysis, companies that best address the sustainability risks or factors they face and adapt their business models and strategies to these new challenges. The assessment is made on a case-by-case basis, and on the basis of intra-sectoral comparisons.

At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Management Company undertakes to ensure that the average ESG risk rating of the long portfolio is better than that of its investment universe.

2. an **EXCLUSION policy**, consisting of (i) a list based on strict sub-sector exclusions related to controversial activities and values not complying with the United Nations Global Compact principles (details of which are available on <https://exane-am/ESG investment process>), (ii) a list based on country exclusions (OFAC) and (iii) a list of stock exclusions based on ESG considerations.

This latter is based on a discretionary list stemming from the internal analysis of ESG characteristics of the relevant companies, this discretionary list being reviewed every six months to take into account any progress made, or disappointments noted.

Further information on the exclusion lists is available on: <https://exane-am/ESG investment process>.

The ESG exclusion applies to long positions in the portfolio only.

3. a **COMMITMENT approach**, that takes the form of a constant and documented dialogue with companies' management in long and short positions. Within this framework, the Management Company aims to encourage issuers towards greater transparency and comparability with regard to ESG issues and the precise objectives that they may set for themselves on these issues in the medium and long term, both through direct dialogue and by joining in with market initiatives.

Exceptionally, the Management Company may select an investment opportunity even if it has a low ESG rating (risk rating by the external source above 30), as a result of which certain investment decisions may not be ESG compliant.

However, this selection must remain exceptional and meet the following criteria :

- the internal analysis carried out by the Management Company concludes that the company concerned is subject to a high discount on its ESG rating;
- the company's management undertakes to make the necessary changes to significantly improve its ESG risk rating, without this being to the detriment of the company's profitability;
- regular exchanges with management are maintained.

These investment decisions and the monitoring of these criteria will be reviewed more frequently by the Management Company.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements used to select the Sub-Fund's investments include the following main elements:

- **Integration approach:**

- ESG Analysis > 90% of the portfolio

At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis;

- Long portfolio ESG risk rating < Investment universe ESG risk rating

This is to ensure that the weighted average of the ESG risk ratings (as attributed by the external source as mentioned above) of the long equity portfolio is better (thus lower) than that of its investment universe, which is defined as the global equity, with an emphasis on Europe;

- Proportion of the long portfolio with an ESG risk rating above 30 < to 15%

This is to ensure that the proportion of securities in the long equity portfolio with an ESG risk rating above 30 as attributed by the external source does not exceed 15% of the long portfolio.

- **Exclusion policy:**

This is to ensure that none of the Sub-Fund's long positions violate the Sub-Fund's exclusion policies.

- **Sustainable investments:**

The Sub-Fund invests at least 20% of the long exposure of the portfolio in sustainable assets as defined above.

ESG data used for the selection process may potentially be inconsistent, missing or not accessible, particularly when such ESG data is provided by external providers:

- Missing or incomplete disclosure of ESG information by the issuing companies,
- Sometimes complex identification of information and factors relevant to the ESG analysis of the provider's model.

These points constitute methodological limitations to the ESG rating process used.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not Applicable (N/A). The Sub-Fund does not commit to a minimum rate of reduction in the scope of investments contemplated prior to the implementation of the investment strategy.

- **What is the policy to assess good governance practices of the investee companies?**

Firstly, governance practices are taken into consideration in the integration policy of the Sub-Fund, through the analysis of governance ratings, in particular in the field of Corporate Governance (including: Board structure, Remuneration policy, treatment of minority shareholders).

In addition, the Management Company engages in a regular dialogue with the management teams of the companies in which the Sub-Fund is invested in order to gain a better understanding of all these aspects. This dialogue constitutes a constructive approach by which the Management Company seeks to understand and analyse the issues and practices of the companies.

As the Sub-Fund intends to invest across all sectors, the Management Company is particularly vigilant with regard to the notion of transparency and quantifiable commitments from issuers regarding any planned progress over the next few years, ideally backed by empirically measurable criteria, which contribute materially to an improvement in practices.

The Management Company has formalised an engagement policy in order to enhance its approach of dialogue with the companies within the investment universe.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Asset allocation describes the share of investments in specific assets.



### What is the asset allocation planned for this financial product?

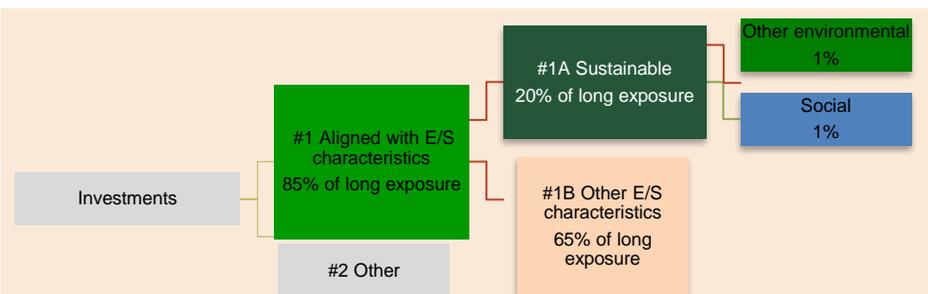
A minimum of 85% of the long exposure of the portfolio will be invested in issuers aligned with the promoted E/S characteristics (#1 Aligned with E/S characteristics).

The minimum proportion of sustainable investments is 20% of long exposure (long positions excluding money market pocket).

Investments included under "#2 Other" may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio. These investments included under "#2 Other" may be invested in issuers that are not aligned with the promoted E/S characteristics (#2 Other).

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

### How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives are necessary for the implementation of the Sub-Fund's long/short strategy.

These derivatives are either directly linked to an underlying asset (equity CFDs) allowing the integration of ESG characteristics into investment decisions or linked to an index representative of the investment universe or a given sector, in each case according to a transparent approach for rating purposes.

Long and short positions are not compensated in terms of ESG data (rating, CO2 emissions, carbon intensity).



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund may invest in environmentally sustainable economic activities; however the Sub-Fund's investments do not take into account the European Union's criteria for environmentally sustainable economic activities.

However, this position will be reviewed as the underlying rules are finalised and the availability of reliable data increases over time.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?

- Yes:
- In fossil gas     In nuclear energy
- No

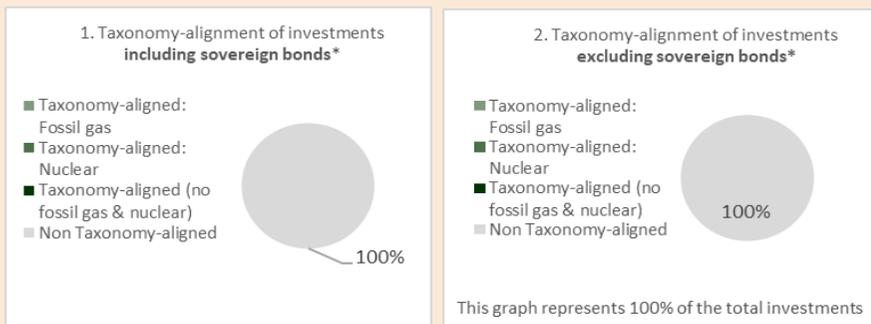
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

<sup>2</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

• **What is the minimum share of investments in transitional and enabling activities?**

The Sub-Fund does not commit to invest any "sustainable investment" within the meaning of the Taxonomy Regulation.

 **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy is 1%.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

 **What is the minimum share of socially sustainable investments?**

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of socially sustainable investments is 1%.

 **What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

Investments included under "#2 Other" may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio.

The money market fund and the short portfolio are subject to ESG analysis but none of the investments under "#2 Other" are not subject to minimum or social safeguards.

 **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not Applicable (N/A).

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

 **Where can I find more product specific information online?**

More product-specific information can be found on the website:

<https://www.exane-am.com/Overdrive>

## ANNEX SFDR – EXANE ZEPHYR FUND

**Product name:** EXANE FUNDS 1 – EXANE ZEPHYR FUND (the "Sub-Fund")

**Legal entity identifier:** 529900BU4754RWLOHI06

### Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

#### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

No

It promotes **Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of **20%** of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



#### What environmental and/or social characteristics are promoted by this financial product?

The Sub-Fund's promotion of environmental and social characteristics consists of favouring, within each sector of activity, those companies that best address the environmental and social risks and factors they face and adapt their business models and strategies to these new challenges.

In addition, the Sub-Fund has an exclusion policy based in particular on strict exclusions for companies not complying with international conventions (Oslo/Ottawa), country exclusions (OFAC) and sectoral exclusions, as further detailed below.

Finally, the Management Company implements an active engagement approach in its investments, through an ongoing and documented dialogue with the invested companies and formalised in an engagement policy.

No specific index has been designated as a reference benchmark to determine whether the Sub-Fund is aligned with the environmental and/or social characteristics that it promotes.

#### What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators used to measure the attainment of each of the promoted environmental or social characteristics are as follows:

- ESG risk ratings on the Sub-Fund's portfolio and initial investment universe (global, with an emphasis on Europe) attributed by Sustainalytics®, an external source and recognised market reference in ESG analysis adopting a sectoral risk approach consistent with the investment philosophy of the Sub-Fund, and those resulting from the Management Company's internal analysis entered in a proprietary tool "i-ESG";
  - the difference between the average ESG risk rating of the long portfolio and the average ESG risk rating of the initial universe;
  - the share of investments involved in all the excluded activities described below;
  - the share of sustainable investments.
- What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The sustainable investment objectives that the Sub-Fund partially intends to make are:

- Contribution to the United Nations' Sustainable Development Goals (SDGs). The objectives may be social and/or environmental. A company's positive exposure to the SDGs is thus analyzed to assess the ability of its products and services to meet environmental and societal challenges, such as access to renewable energies, efficient resource management or access to healthcare services. For each company, the Management Company collects from Sustainalytics® a list of its activities linked to each of the 17 SDGs. An investment is identified as having a positive contribution if at least one of its activities (measured as a share of turnover of the company (%)) is strictly greater than 0.1% for at least one of the SDGs;
- A minimum governance score of 40/100 (as attributed by the above-mentioned external source) is required;

- An objective of absence of controversies at an estimated level of severity at 4 or 5 according to the same external source : Sustainalytics® provides a score, ranging from 1 to 5 (5 being the worst score), which measures the severity of a company's controversies. The Management Company excludes from the definition of sustainable investment any company whose score, as estimated by the external source, is equal to 4 or 5.

For an investment to qualify as sustainable, it must cumulatively meet the three criteria listed above. The sustainable nature of an investment is assessed at the level of the investee company. The Sub-Fund is not currently committed to investing in sustainable investments with an environmental objective aligned with the EU taxonomy.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

To ensure that the Sub-Fund's sustainable investments do not cause significant harm to any environmental or social objective ("DNSH"), the Management Company performs an initial filter against its ESG exclusion lists, takes into account the principal adverse impacts (PAI) of these investments on sustainability factors, and verifies that the investment is free from controversies with an estimated severity level of 4 or 5 (source: Sustainalytics®).

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Taking into account adverse impact indicators is based on monitoring the 14 mandatory Principal Adverse Impact indicators listed in Table 1 of Annex I of the European Commission's Delegated Regulation (EU) 2022/1288, combined with the application of specific thresholds or rules:

- Be exempt from any activity negatively affecting the biodiversity of sensitive areas (unit: yes/no);
- Have a company board whose diversity is at least 25% and which does not belong to the last decile compared with other companies in its sector (unit: %).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Through the consideration of PAIs, and in particular the use of the following social PAIs, the investments of the Sub-Fund comply with the targeted principles:

- Violation of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,
- Absence of processes and mechanisms to monitor compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes,

the Management Company takes into consideration the principal adverse impacts ("PAIs") applicable to the Sub-Fund's strategy. The consideration of the PAIs is reflected in the integration and exclusion approaches (normative and sectoral):

**Integration:** The purpose of conducting ESG analysis is to mitigate key negative sustainability impacts. Particular attention is paid to the mitigation of PAIs covering the GHG emissions reduction trajectory (PAI 1) and working conditions of employees and in the value chain (PAIs 10 and 11).

For GHG emissions, the reduction targets, their validation by an independent body (SBTi), the associated capital expenditure and the level of communication (reflected in the CDP score) supporting their credibility are analysed.

With regard to working conditions, the Management Company closely monitors the international standards respected by companies (UNGP, OECD and ILO texts) and their inclusion in a code of conduct, the training provided for this purpose and due diligence practices, particularly in the sectors most prone to problems of forced labour and child labour (such as food production or clothing).

**Exclusion:** The exclusion policy covers the most important risks related to sustainability factors and is applied in a binding and continuous manner. In particular, the exclusion policy targets many controversial weapons as well as companies that are not compliant with the United Nations Global Compact principles, in line with PAIs 10, 11 and 14 covering these aspects. The discretionary exclusion list is also updated regularly to allow for dynamic consideration of the PAIs.

The consideration of the Principal Adverse Impacts in order to assess DNSH with respect to sustainable investments is specified above.

More information on how the PAI on sustainability factors have been taken into account will be available in the Sub-Fund's periodic reports.

No



## What investment strategy does this financial product follow?

Prior to any investment, the Management Company analyses each company from the perspective of its environmental (E), social (S) and governance (G) characteristics. The management team is particularly vigilant about the progress made by companies, the commitments they make for the future and any emerging controversies that may lead to rapid divestment.

Each investment opportunity is analysed in relation to ESG criteria, based on external data supplemented by an internal analysis based on the specific expertise of the Management Company.

The external data include ESG ratings and analysis supplied by a well-known market reference in ESG analysis, indicators developed by specialised players and ESG research provided by brokers.

ESG characteristics and the sustainability factors or risks associated with the investments are assessed by the Management Company through:

1. **an INTEGRATION approach**, favouring within each sector of activity, on the basis of ESG ratings supplied by the external source Sustainalytics® supplemented by internal analysis, companies that best address the sustainability risks or factors they face and adapt their business models and strategies to these new

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

challenges. The assessment is made on a case-by-case basis, and on the basis of intra-sectoral comparisons.

At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis.

The Management Company undertakes to ensure that the average ESG risk rating of the long portfolio is better than that of its investment universe.

2. **an EXCLUSION policy**, consisting of (i) a list based on strict sub-sector exclusions related to controversial activities and values not complying with the United Nations Global Compact principles (details of which are available on <https://exane-am/ESG investment process>), (ii) a list based on country exclusions (OFAC) and (iii) a list of stock exclusions based on ESG considerations.

This latter is based on a discretionary list stemming from the internal analysis of ESG characteristics of the relevant companies, this discretionary list being reviewed every six months to take into account any progress made, or disappointments noted.

Further information on the exclusion lists is available on: <https://exane-am/ESG investment process>.

The ESG exclusion applies to long positions in the portfolio only.

3. **a COMMITMENT approach**, that takes the form of a constant and documented dialogue with companies' management in long and short positions. Within this framework, the Management Company aims to encourage issuers towards greater transparency and comparability with regard to ESG issues and the precise objectives that they may set for themselves on these issues in the medium and long term, both through direct dialogue and by joining in with market initiatives.

Exceptionally, the Management Company may select an investment opportunity even if it has a low ESG rating (risk rating by the external source above 30), as a result of which certain investment decisions may not be ESG compliant.

However, this selection must remain exceptional and meet the following criteria :

- the internal analysis carried out by the Management Company concludes that the company concerned is subject to a high discount on its ESG rating;
- the company's management undertakes to make the necessary changes to significantly improve its ESG risk rating, without this being to the detriment of the company's profitability;
- regular exchanges with management are maintained.

These investment decisions and the monitoring of these criteria will be reviewed more frequently by the Management Company.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements used to select the Sub-Fund's investments include the following main elements:

- **Integration approach:**

- ESG Analysis > 90% of the portfolio

At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis;

- Long portfolio ESG risk rating < Investment universe ESG risk rating

This is to ensure that the weighted average of the ESG risk ratings (as attributed by the external source as mentioned above) of the long equity portfolio is better (thus lower) than that of its investment universe, which is defined as the global equity, with an emphasis on Europe;

- Proportion of the long portfolio with an ESG risk rating above 30 < to 15%

This is to ensure that the proportion of securities in the long equity portfolio with an ESG risk rating above 30 as attributed by the external source does not exceed 15% of the long portfolio.

- **Exclusion policy:**

This is to ensure that none of the Sub-Fund's long positions violate the Sub-Fund's exclusion policies.

- **Sustainable investments:**

The Sub-Fund invests at least 20% of the long exposure of the portfolio in sustainable assets as defined above.

ESG data used for the selection process may potentially be inconsistent, missing or not accessible, particularly when such ESG data is provided by external providers:

- Missing or incomplete disclosure of ESG information by the issuing companies,
- Sometimes complex identification of information and factors relevant to the ESG analysis of the provider's model.

These points constitute methodological limitations to the ESG rating process used.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not Applicable (N/A). The Sub-Fund does not commit to a minimum rate of reduction in the scope of investments contemplated prior to the implementation of the investment strategy.

- **What is the policy to assess good governance practices of the investee companies?**

Firstly, governance practices are taken into consideration in the integration policy of the Sub-Fund, through the analysis of governance ratings, in particular in the field of Corporate Governance (including: Board structure, Remuneration policy, treatment of minority shareholders).

In addition, the Management Company engages in a regular dialogue with the management teams of the companies in which the Sub-Fund is invested in order to gain a better understanding of all these aspects. This dialogue constitutes a constructive approach by which the Management Company seeks to understand and analyse the issues and practices of the companies.

As the Sub-Fund intends to invest across all sectors, the Management Company is particularly vigilant with regard to the notion of transparency and quantifiable commitments from issuers regarding any planned progress over the next few years, ideally backed by empirically measurable criteria, which contribute materially to an improvement in practices.

The Management Company has formalised an engagement policy in order to enhance its approach of dialogue with the companies within the investment universe.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Asset allocation describes the share of investments in specific assets.



### What is the asset allocation planned for this financial product?

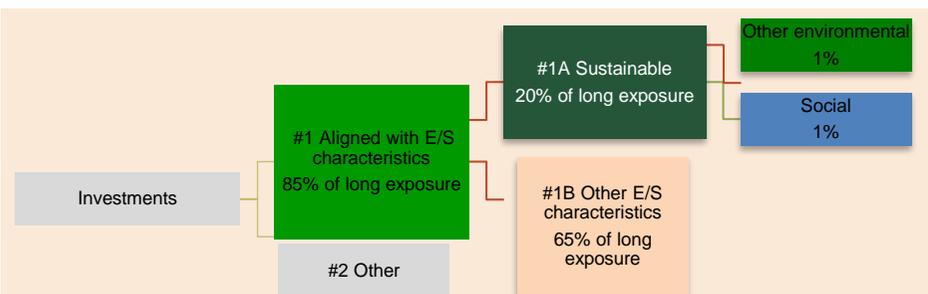
A minimum of 85% of the long exposure of the portfolio will be invested in issuers aligned with the promoted E/S characteristics (#1 Aligned with E/S characteristics).

The minimum proportion of sustainable investments is 20% of long exposure (long positions excluding money market pocket).

Investments included under "#2 Other" may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio. These investments included under "#2 Other" may be invested in issuers that are not aligned with the promoted E/S characteristics (#2 Other).

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

### How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives are necessary for the implementation of the Sub-Fund's long/short strategy.

These derivatives are either directly linked to an underlying asset (equity CFDs) allowing the integration of ESG characteristics into investment decisions or linked to an index representative of the investment universe or a given sector, in each case according to a transparent approach for rating purposes.

Long and short positions are not compensated in terms of ESG data (rating, CO2 emissions, carbon intensity).



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund may invest in environmentally sustainable economic activities; however the Sub-Fund's investments do not take into account the European Union's criteria for environmentally sustainable economic activities.

However, this position will be reviewed as the underlying rules are finalised and the availability of reliable data increases over time.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>3</sup>

- Yes:
- In fossil gas     In nuclear energy
- No

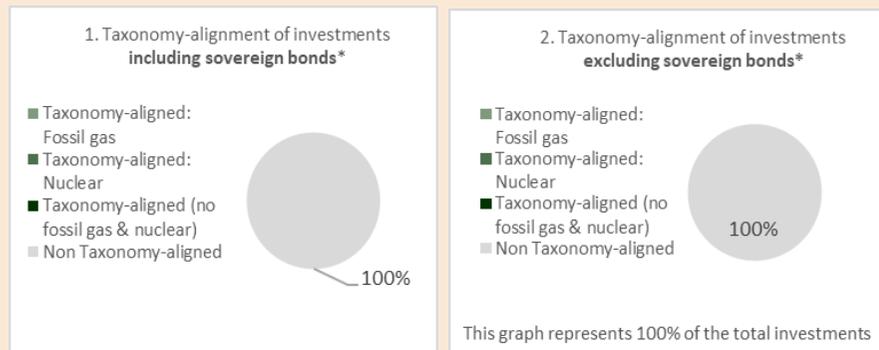
To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

<sup>3</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

• **What is the minimum share of investments in transitional and enabling activities?**

The Sub-Fund does not commit to invest any "sustainable investment" within the meaning of the Taxonomy Regulation.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy is 1%.



**What is the minimum share of socially sustainable investments?**

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of socially sustainable investments is 1%.



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

Investments included under "#2 Other" may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio.

The money market fund and the short portfolio are subject to ESG analysis but none of the investments under "#2 Other" are not subject to minimum or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not Applicable (N/A).

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.exane-am.com/s/exane-fonds?language=en\\_US&mktfam=lsa&fundId=a0e000000uUQtQAM](https://www.exane-am.com/s/exane-fonds?language=en_US&mktfam=lsa&fundId=a0e000000uUQtQAM)

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.