

# PROSPECTUS

## H2O INVEST

DATED 10 JULY 2023

### I GENERAL CHARACTERISTICS

#### 1 Form of the UCITS

□ **NAME**

H2O INVEST, hereinafter referred to in this document as “the SICAV”.

□ **LEGAL FORM AND MEMBER STATE IN WHICH THE UCITS WERE ESTABLISHED**

Open-ended investment company with variable capital (SICAV) under French law, in the form of a simplified joint-stock company (SAS).

□ **SUB-FUNDS**

H2O LARGO, H2O EUROPEA, H2O EUROSOVEREIGN, H2O EUROSOVEREIGN 3-5 YEARS and H2O EUROAGGREGATE are sub-funds of the H2O INVEST SICAV, hereinafter referred to in this document as “the Sub-funds”.

□ **INCEPTION DATE AND EXPECTED TERM**

The SICAV was created on 10 June 2011 for a term of 99 years.

□ **DATE OF AMF APPROVAL:**

The SICAV was approved by the Autorité des Marchés Financiers (AMF), the French financial markets authority, on 15 April 2011.

□ **SUMMARY OF THE MANAGEMENT OFFER**

**H2O LARGO Sub-fund**

Shares	ISIN code	Allocation of distributable income	Base currency	Target subscribers	Minimum initial investment	Minimum subsequent investment	Initial net asset value
<b>H-S/I/C **(CHF)</b>	FR0013396991	Accumulation	CHF	All subscribers, particularly institutional investors	CHF 100 million	CHF 1 million	CHF 100
<b>I/C (EUR)</b>	FR0013282720	Accumulation	EUR	All subscribers, particularly institutional investors	EUR 100,000	One tenthousandth of a share	EUR 100
<b>N/C (EUR)</b>	FR0013282738	Accumulation	EUR	All subscribers, particularly private individuals investing through distributors, financial advisers, platforms or other intermediaries (collectively, "Intermediaries") under a separate contract or a fee-based contract between the investor and an intermediary	One tenthousandth of a share	One tenthousandth of a share	EUR 100
<b>H-I/C* (USD)</b>	FR0013282761	Accumulation	USD	All subscribers, particularly institutional investors	USD 100,000	One tenthousandth of a share	USD 100
<b>H-I/C** (CHF)</b>	FR0013282795	Accumulation	CHF	All subscribers, particularly institutional investors	CHF 100,000	One tenthousandth of a share	CHF 100
<b>H-I/C*** (GBP)</b>	FR0013283025	Accumulation	GBP	All subscribers, particularly institutional investors	GBP 100,000	One tenthousandth of a share	GBP 100
<b>R/C (EUR)</b>	FR0013393261	Accumulation	EUR	All subscribers, particularly private individuals	One tenthousandth of a share	One tenthousandth of a share	EUR 100
<b>H-R/C** (CHF)</b>	FR0013393279	Accumulation	CHF	All subscribers, particularly private individuals	One tenthousandth of a share	One tenthousandth of a share	CHF 100

\* Unit systematically hedged against EUR/USD currency risk

\*\* Unit systematically hedged against EUR/CHF currency risk

\*\*\* Unit systematically hedged against the EUR/GBP currency risk

The Sub-fund's reference currency is the euro (EUR).

H2O EUROPEA Sub-fund

Shares	ISIN code	Allocation of distributable income	Base currency	Target subscribers	Minimum initial investment	Minimum subsequent investment	Initial net asset value
<b>S/C (EUR)</b>	FR0013410040	Accumulation	EUR	All subscribers, particularly institutional investors	EUR 1,000,000	One ten-thousandth of a share	EUR 100
<b>I/C (EUR)</b>	FR0013410057	Accumulation	EUR	All subscribers, particularly institutional investors	EUR 100,000	One ten-thousandth of a share	EUR 100
<b>R/C (EUR)</b>	FR0013410065	Accumulation	EUR	All subscribers, particularly private individuals	EUR 1	One ten-thousandth of a share	EUR 100
<b>N/C (EUR)</b>	FR0013410073	Accumulation	EUR	All subscribers, particularly private individuals investing through distributors, financial advisers, platforms or other intermediaries (collectively, "Intermediaries") under a separate contract or a fee-based contract between the investor and an intermediary	EUR 1	One ten-thousandth of a share	EUR 100

## H2O EUROSOVEREIGN Sub-fund

Shares	ISIN code	Allocation of distributable income	Base currency	Target subscribers	Minimum initial investment	Minimum subsequent investment	Initial net asset value
<b>I/C (EUR)</b>	FR0013410867	Accumulation	EUR	All subscribers, particularly institutional investors	EUR 100,000	One tenthousandth of a share	EUR 100
<b>S/I/C (EUR)</b>	FR0013410875	Accumulation	EUR	All subscribers, particularly institutional investors	EUR 100,000,000	One tenthousandth of a share	EUR 100
<b>N/C (EUR)</b>	FR0013410883	Accumulation	EUR	All subscribers, particularly private individuals investing through distributors, financial advisers, platforms or other intermediaries (collectively, "Intermediaries") under a separate contract or a fee-based contract between the investor and an intermediary	One tenthousandth of a share	One tenthousandth of a share	EUR 100
<b>R/C (EUR)</b>	FR0013410891	Accumulation	EUR	All subscribers, particularly private individuals	One tenthousandth of a share	One tenthousandth of a share	EUR 100

## H2O EUROSOVEREIGN 3-5 YEARS Sub-fund

Shares	ISIN code	Allocation of distributable income	Base currency	Target subscribers	Minimum initial investment	Minimum subsequent investment	Initial net asset value
<b>I/C (EUR)</b>	FR0013434941	Accumulation	EUR	All subscribers, particularly institutional investors	EUR 100,000	One tenthousandth of a share	EUR 100
<b>S/I/C (EUR)</b>	FR0013434958	Accumulation	EUR	All subscribers, particularly institutional investors	EUR 100,000,000	One tenthousandth of a share	EUR 100
<b>N/C (EUR)</b>	FR0013434974	Accumulation	EUR	All subscribers, particularly private individuals investing through distributors, financial advisers, platforms or other intermediaries (collectively, "Intermediaries") under a separate contract or a fee-based contract between the investor and an intermediary	One tenthousandth of a share	One tenthousandth of a share	EUR 100
<b>R/C (EUR)</b>	FR0013434982	Accumulation	EUR	All subscribers, particularly private individuals	One tenthousandth of a share	One tenthousandth of a share	EUR 100

H2O EUROAGGREGATE *Sub-fund*

Shares	ISIN code	Allocation of distributable income	Base currency	Target subscribers	Minimum initial investment	Minimum subsequent investment	Initial net asset value
<b>R</b>	FR0011007418	Accumulation	EUR	All subscribers, intended specifically for individuals	One ten-thousandth of a share	One ten-thousandth of a share	EUR 100
<b>SI-A</b>	FR0011007459	Accumulation	EUR	All subscribers, intended specifically for institutional investors	EUR 100,000,000	One ten-thousandth of a share	EUR 100
<b>SI-B</b>	FR0011007475	Accumulation	EUR	All subscribers, intended specifically for institutional investors	EUR 100,000,000	One ten-thousandth of a share	EUR 100
<b>N</b>	FR0012087799	Accumulation	EUR	All subscribers, intended specifically for private individuals investing through distributors, financial advisers, platforms or other intermediaries (collectively, "Intermediaries") under a separate contract or a fee-based contract between the investor and an intermediary.	One ten-thousandth of a share	One ten-thousandth of a share	EUR 100
<b>I</b>	FR0013342540	Accumulation	EUR	All subscribers, intended specifically for institutional investors	EUR 100,000	One ten-thousandth of a share	EUR 100

□ **ADDRESS FROM WHICH THE LATEST ANNUAL AND INTERIM REPORTS, AS WELL AS THE ASSET COMPOSITION DETAILS, CAN BE OBTAINED**

The latest annual and interim reports and the asset composition details will be sent to shareholders within 8 days of receipt of a written request addressed to:

H2O AM EUROPE  
39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France.  
Email: [info@h2o-am.com](mailto:info@h2o-am.com)

Further information regarding this SICAV, in particular concerning its net asset value, can be obtained from H2O AM EUROPE.

The prospectus is also available on the website: [www.h2o-am.com](http://www.h2o-am.com).

□ **INFORMATION FOR PROFESSIONAL INVESTORS:**

The Management Company may send the breakdown of the UCI's portfolio to investors classified as professional investors by the ACPR (Autorité de Contrôle Prudentiel et de Résolution [French prudential supervision and resolution authority]), the AMF or equivalent European authorities, for the sole purpose of calculating regulatory requirements under Directive 2009/138/EC (Solvency II).

## **2 Administrative agents**

□ **ENTITY IN CHARGE OF FINANCIAL, ADMINISTRATIVE AND ACCOUNTING MANAGEMENT (HEREINAFTER THE "MANAGEMENT COMPANY")**

### **H2O AM EUROPE**

Legal form: Société anonyme par actions simplifiée [simplified joint stock company]  
Nationality: French  
Authorised by the Autorité des Marchés Financiers (AMF), the French Financial Markets Authority, under number GP-19000011  
Address: 39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France

### **Delegation of financial management for all sub-funds (except H2O EuroPEA):**

Company name: H2O MONACO S.A.M.  
Legal form: a Monaco société anonyme (public limited company), authorised by the Commission de contrôle des activités financières (Commission for the Control of Financial Activities – Monaco) under number SAF 2017-04  
Registered office: 24, boulevard Princesse Charlotte Monte Carlo, 98000 Monaco

The entity in charge of investment management will partly contribute to investment management alongside the Management Company.

The Management Company has not identified any conflicts of interest that may arise from this arrangement.

- **DEPOSITARY, CUSTODIAN, CLEARING HOUSE FOR SUBSCRIPTION AND REDEMPTION ORDERS BY DELEGATION OF THE FINANCIAL MANAGER AND ESTABLISHMENT RESPONSIBLE FOR HOLDING SHARE REGISTERS**

### **CACEIS BANK**

Legal form: société anonyme à conseil d'administration (public limited company with a board of directors)

Credit institution approved by the CECEI, the French Credit Institutions and Investment Firms Committee

Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France

Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

Nationality: French

The depositary carries out the duties for which it is responsible under the laws and regulations in force and those contractually entrusted to it by the portfolio management company. Above all, it must ensure that decisions taken by the portfolio management company are lawful.

Where applicable, it must take any protective measures it deems necessary. In the event of a dispute with the Management Company, it shall inform the French financial markets authority, the AMF (Autorité des Marchés Financiers).

The depositary is independent of the Management Company.

The description of the delegated custodial duties, the list of custodians and sub-custodians of CACEIS Bank and information relating to conflicts of interest that may result from these delegations are available on the CACEIS website: [www.caceis.com](http://www.caceis.com).

Updated information is available to investors upon request through the depositary.

- **PRIME BROKER:**

None.

- **STATUTORY AUDITOR**

### **KPMG Audit**

Represented by Ms Isabelle Bousquié

Address: Tour Eqho – 2 avenue Gambetta, 92066 Paris La Défense, France

Nationality: French

- **MARKETING AGENTS**

### **H2O AM EUROPE**

Legal form: Société anonyme par actions simplifiée [simplified joint stock company]

Nationality: French

Authorised by the Autorité des Marchés Financiers (AMF), the French Financial Markets Authority, under number GP-19000011

Address: 39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France

The marketing agent is an establishment that takes the initiative for marketing the SICAV. The Management Company markets the SICAV.

The list of marketing agents is not exhaustive, insofar as the UCITS is listed on Euroclear. The Management Company would like to inform subscribers that not all marketing agents are appointed by or known to it.

□ **DELEGATED SERVICES**

Accounting sub-delegation:

**CACEIS FUND ADMINISTRATION**

Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France

Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

Nationality: French

□ **ADVISER**

None.

□ **SICAV ADMINISTRATIVE PROCEDURES – IDENTITY AND DUTIES WITHIN THE SICAV OF MEMBERS OF ADMINISTRATIVE AND MANAGEMENT BODIES**

The company is administered by a Chairman.

The administrative procedures are specified in the Articles of Association.

The list of the Directors of the SICAV and the main functions that they perform is available in the SICAV's annual report. The members of those administrative and management bodies are responsible for disclosing this information.

## II OPERATING AND MANAGEMENT PROCEDURES

### 1 General characteristics

□ **SHARE FEATURES**

- ◆ Form: SICAV with sub-funds
- ◆ Rights attached to the share class:

The investor has a right of ownership to the SICAV's capital. The SICAV is managed by the Management Company, which acts on behalf of the shareholders and in their exclusive interest. Shareholders can be informed about changes affecting the SICAV by any means that conform to AMF guidelines.

- ◆ Entry in a register or establishment of procedures for liability accounting:

Liability accounting is provided by CACEIS Bank.

The shares are administered by EUROCLEAR FRANCE.

- ◆ Voting rights:

The voting rights attached to the shares are detailed in the SICAV's articles of association.

- ◆ Type of shares: bearer and/or registered.
- ◆ Splitting of shares: the shares are split into ten-thousandths of a share.

□ **FINANCIAL YEAR-END**

The last Paris stock exchange trading day of June.

The first financial year ended on 31 December 2011.

□ **INFORMATION ON THE TAXATION SYSTEM**

The SICAV and each Sub-fund are subject to the general tax system applicable to UCITS, which is likely to change according to the legislation in force.

The SICAV is not subject to corporation tax. The taxation rules applicable to the shareholder essentially concern the sales of shares or income distributions performed for their benefit. The applicable tax system depends on the tax provisions relating to the shareholder's particular situation. Investors are therefore advised to consult their usual financial advisers for information on the procedures that apply to them personally.

The H2O EUROPEA Sub-fund is eligible for the *Plan d'Epargne en Actions* (PEA) [Equity Savings Plan].

## 2 Specific provisions

### **SUB-FUND: H2O LARGO**

□ **ISIN CODES**

<b><u>Shares</u></b>	<b><u>ISIN code</u></b>
H-SI/C (CHF)	FR0013396991
I/C (EUR)	FR0013282720
N/C (EUR)	FR0013282738
H-I/C (USD)	FR0013282761
H-I/C (CHF)	FR0013282795
H-I/C (GBP)	FR0013283025
R/C (EUR)	FR0013393261
H-R/C (CHF)	FR0013393279

□ **CLASSIFICATION**

Bonds and/or international debt securities.

□ **HOLDING OF UNITS OR SHARES OF UCIs (UCITS OR AIFs) OR INVESTMENT FUNDS**

The Sub-fund may invest up to 10% of its net assets in units or shares of UCIs or investment funds.

□ **MANAGEMENT OBJECTIVE**

For I (EUR), R (EUR) and N (EUR) shares:

The Sub-fund's objective is to achieve a performance that is:

- 0.50% per year higher than that of the daily capitalised €STR over its minimum recommended investment period for I (EUR) shares, after deduction of operating and management fees,
- 0.40% per year higher than that of the daily capitalised €STR over its minimum recommended investment period for N (EUR) shares, after deduction of operating and management fees,
- and 0.10% per year higher than that of the daily capitalised €STR over its minimum recommended investment period for R (EUR) shares, after deduction of operating and management fees.

For H-I/C (USD) shares:

The Sub-fund's objective is to achieve a performance that is:

- 0.50% per year higher than that of the daily capitalised SOFR (Secured Overnight Financing Rate) over its minimum recommended investment period for H-I/C (USD) shares, after deduction of operating and management fees.

For H-SI/C (CHF), H-I/C (CHF) and H-R/C (CHF) shares:

The Sub-fund's objective is to achieve a performance that is:

- 0.50% per year higher than that of the daily capitalised SARON (Swiss Average Rate Overnight) over its minimum recommended investment period for H-SI/C (CHF) and H-I/C (CHF) shares, after deduction of operating and management fees,
- and 0.10% per year higher than that of the daily capitalised SARON (Swiss Average Rate Overnight) over its minimum recommended investment period for H-R/C (CHF) shares, after deduction of operating and management fees.

For H-I/C (GBP) shares:

The Sub-fund's objective is to achieve a performance that is:

- 0.50% per year higher than that of the daily capitalised SONIA (Sterling Overnight Index Average) over its minimum recommended investment period for H-I/C (GBP) shares, after deduction of operating and management fees.

□ **REFERENCE INDEX**

For I (EUR), R (EUR) and N (EUR) shares

For I (EUR) shares, the daily capitalised €STR + 0.50% per year,  
For N (EUR) shares, the daily capitalised €STR + 0.40% per year,  
For R (EUR) shares, the daily capitalised €STR + 0.10% per year.

For H-I/C (USD) shares

For H-I/C (USD) shares, the daily capitalised SOFR + 0.50% per year.

For H-SI/C (CHF), H-I/C (CHF) and H-R/C (CHF) shares

For H-SI/C (CHF), H-I/C (CHF) shares, the daily capitalised SARON + 0.50% per year,  
For H-R/C (CHF) shares, the daily capitalised SARON + 0.10% per year.

For H-I/C (GBP) shares

For H-I/C (GBP) shares, the daily capitalised SONIA + 0.50% per year.

Daily capitalised ESTER (Overnight Indexed Swap or OIS method)

The ESTER rate (Euro Short-Term Rate) corresponds to the reference rate of the Euro (EUR) interbank market. It is calculated by the European Central Bank.

The benchmark is available on the website:

[https://www.ecb.europa.eu/stats/financial\\_markets\\_and\\_interest\\_rates/euro\\_short-term\\_rate/html/index.en.html](https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/euro_short-term_rate/html/index.en.html)

The benchmark administrator is the European Central Bank.

It is not listed in the register of administrators and benchmark indices held by ESMA (central banks are exempt from this).

Daily capitalised SONIA (Overnight Indexed Swap or OIS method)

The SONIA rate (Sterling Overnight Index Average) corresponds to the reference rate of the British sterling (GBP) interbank market. It is calculated by the Bank of England.

The benchmark is available on the website: <https://www.bankofengland.co.uk/markets/sonia-benchmark>

The benchmark administrator is the Bank of England. It is not listed in the register of administrators and benchmark indices held by ESMA (central banks are exempt from this).

Daily capitalised SOFR (Overnight Indexed Swap or OIS method)

The SOFR rate (Sterling Overnight Financing Rate) corresponds to the reference rate of the US dollar (USD) interbank market. It is calculated by the New York Federal Reserve.

The benchmark is available on the website: <https://www.newyorkfed.org/markets/reference-rates/sofr>

The benchmark administrator is the New York Federal Reserve. It is not listed in the register of administrators and benchmark indices held by ESMA (central banks are exempt from this).

Daily capitalised SARON (Overnight Indexed Swap or OIS method)

The SARON rate (Swiss Average Rate Overnight) corresponds to the reference rate of the Swiss franc (CHF) interbank market. : It is calculated by SIX Financial Information AG.

The benchmark index administrator is listed in the register of administrators and benchmark indices held by ESMA. The benchmark is available on the website:

<https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/indices/swiss-reference-rates.html>

## □ **INVESTMENT STRATEGY**

### **1. Strategies employed**

The management style implemented is focused on absolute performance, combining strategic and tactical positions and arbitrages on all global fixed income and currency markets.

This performance objective will be sought by complying with an ex-ante “Value at Risk” (VaR) of 2.5% maximum, with a confidence interval of 99% over 20 days.

The Sub-fund’s performance is related more to relative trends in the markets (relative positions and arbitrages) than to the general direction of these markets (directional positions).

For each asset class, the exposure is decided first and separately from the other asset classes. The asset allocation is therefore a consequence of these exposure choices.

The investment strategy is based on a “top-down” approach and relies in particular on macroeconomic analysis, an analysis of capital flows and relative market valuations.

The portfolio’s overall modified duration will fall within a range between -1 and +1.

### **SFDR:**

With reference to the regulation known as the “SFDR Regulation” (Regulation (EU) 2019/2088 of the European Parliament of 27 November 2019 on sustainability-related disclosures in the financial services sector), this Sub-fund is not covered by either Article 8 or by Article 9 of SFDR, and consequently forms part of the category of funds covered by Article 6.

The main criteria taken into consideration in investment decisions are macro-economic analysis, the analysis of capital flows and the relative valuation of the markets.

Sustainability risks (as defined in the SFDR and the definition for which is reproduced in the Risk Profile section below) are integrated by means of systematic exclusions that are based on the regulations in force and on those sectors and countries that are subject to international sanctions.

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company's compliance department for any investment linked to issuers based in countries defined as "high-risk" with regard to money laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU's lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

The Management Company has adopted a strict controversial weapons and sector exclusion policy, which can be found on its website.

The UCITS is not currently able to integrate the Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, owing to:

- a lack of available reliable data;
- use of derivative financial instruments for which the PAIs have not yet been integrated or defined.

#### **Management of OECD government bonds:**

1. Active management of the portfolio's exposure to global bond market risk (modified duration);
2. Allocation of the portfolio's modified duration (positive or negative) as stipulated above among the four main OECD government bond markets (the United States for the dollar zone, Germany for the Europe zone, the United Kingdom and Japan) using relative value strategies (purchase of modified duration on certain markets, sale of modified duration on others);
3. Allocation of the modified duration (positive or negative) as allocated on the four bond markets stipulated above over their four main curve segments [1-3 years], [3-7 years], [7-15 years] and [15-30 years]: specific use of flattening, restructuring or lateral shift strategies on these curves;
4. Selection of the issuing country within the dollar zone (United States, Canada, Mexico, Australia and New Zealand) and the Europe zone (EMU member states, Norway, Sweden, Denmark, Iceland, Switzerland, Poland, Czech Republic and Hungary).

#### **Management of OECD non-government bonds and non-OECD government and non-government bonds:**

1. Active management of exposure to the overall credit risk, up to a limit of 50% of the portfolio's net assets;
2. Allocation of the credit risk over the main segments of the credit market: investment-grade and speculative-grade debt, on the one hand, external and local debt of non-OECD countries, on the other;
3. Selection of issuers in each of these segments.

### **Currency management:**

- a. Strategic allocation in US dollars: purchase or sale of the US dollar against all other currencies;
- b. Relative allocation between the three main currency “blocs”: European currency bloc (euro, pound sterling, Norwegian and Danish krone, Swedish and Icelandic krona, Swiss franc, Polish zloty, Czech koruna and Hungarian forint); yen bloc (Japanese yen and South Korean won); commodities bloc (where currency trends are linked to commodity prices: Canadian dollar, Australian dollar, New Zealand dollar and South African rand);
- c. Allocation within each bloc by buying and selling each of the currencies comprising the three blocs;
- d. Diversification among non-OECD market currencies.

H-SI/C (CHF), H-I/C (CHF), and H-R/C (CHF) shares, denominated in CHF, are hedged against currency risk to limit the impact of fluctuations in the EUR/CHF exchange rate on the Sub-fund’s performance.

The objective of this foreign exchange transaction is therefore to achieve the best possible return during the lifetime of the Sub-fund by hedging the EUR/CHF currency risk, which could affect the net asset value.

H-I/C (USD) shares, denominated in USD, are hedged against currency risk to limit the impact of fluctuations in the EUR/USD exchange rate on the Sub-fund’s performance.

The objective of this foreign exchange transaction is therefore to achieve the best possible return during the lifetime of the Sub-fund by hedging the EUR/USD currency risk, which could affect the net asset value.

H-I/C (GBP) shares, denominated in GBP, are hedged against currency risk to limit the impact of fluctuations in the EUR/GBP exchange rate on the Sub-fund’s performance.

The objective of this foreign exchange transaction is therefore to achieve the best possible return during the lifetime of the Sub-fund by hedging the EUR/GBP currency risk, which could affect the net asset value.

## **2. Description of asset classes and financial contracts in which the Sub-fund intends to invest and their contribution to the achievement of the management objective.**

### **2-1. Debt securities, equivalent securities and financial instruments:**

#### **Bond market instruments:**

- up to 100% of the net assets in bonds issued or guaranteed by OECD member states with no rating restrictions;
- up to 20% of the net assets in non-government bonds issued by companies with their registered office in an OECD country.

The Investment Manager relies on its teams and its own methodology to appraise credit risk.

In addition to this appraisal, the securities in question are subject to a minimum rating constraint corresponding to “Investment Grade” according to the Investment Manager’s criteria at the time of their acquisition (for example, BBB- according to the Standard & Poor’s or Fitch Ratings rating scale, or Baa3 according to Moody’s).

If the issue is rated simultaneously by the three agencies at the time of purchase, at least two of the three ratings must be “Investment Grade”. If the issue is rated by only two agencies, at least one of the two ratings must be “Investment Grade”. If the issue is rated by only one agency, the rating must be “Investment Grade”.

If an issue is unrated, the issuer’s rating will be taken into account.

Moreover, when the rating of an issue or issuer of a security already present in the portfolio deteriorates and falls below the minimum “Investment Grade” rating (equivalent to a minimum rating of AA according to Standard & Poor’s and Fitch Ratings or Aa2 according to Moody’s), the Investment Manager will assess the case for keeping the securities in the portfolio or disposing of them, whilst maintaining the interests of shareholders as the principal criterion.

In this category of OECD non-government bonds, up to 10% of the net assets may be invested in mortgage-backed securities or asset-backed securities (ABS – securitisation of portfolios of non-mortgage loans such as consumer credit, automobile credit and credit cards, and MBS – securitisation of mortgage loan portfolios).

The Investment Manager relies on its teams and its own methodology to appraise credit risk.

These securities may also be subject to a minimum rating constraint at the time of acquisition equivalent to:

- AA from Standard & Poor’s or Fitch Ratings,
- Aa2 from Moody’s,

or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated simultaneously by the three agencies at the time of purchase, at least two of the three ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated by only two rating agencies, at least one of the two ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated by only one agency, the rating must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If an issue is unrated, the issuer’s rating will be taken into account.

Moreover, when the rating of an issue or an issuer of a security already present in the portfolio deteriorates and falls below the minimum rating, the Investment Manager will assess the case for keeping the securities in the portfolio or disposing of them, whilst maintaining the interests of shareholders as the principal criterion.

Still within this limit of 10% of the net assets in mortgage-backed securities or asset-backed securities, the Sub-fund may hold up to 10% of its net assets in ABS and MBS that are unrated upon issue or whose issuer is unrated upon issue.

- up to 5% of the net assets in OECD corporate bonds rated “Speculative Grade” at the time of their acquisition and non-OECD government and corporate bonds with no rating restrictions, issued in G4 currencies (USD, EUR, GBP, JPY) or in local currencies.
- up to 10% of the net assets in contingent convertible bonds.

#### **Money market instruments:**

The Sub-fund’s cash position is managed through the acquisition of money market instruments (treasury bills, annual interest treasury bills, Commercial Paper, Euro Commercial Paper and money market UCITS/AIFs at short-term standard variable net asset value) and through reverse repurchase agreements and deposits.

## 2-2. Currencies:

The Sub-fund may be exposed to all currencies, both OECD and non-OECD, through both purchases and sales.

## 2-3. Equities:

There will be no investment in equities.

<b>Recap of the main limits for investment in bonds (<i>ratings applicable at time of purchase</i>)</b>	
Overall modified duration range	[-1; +1]
OECD government bonds	Maximum 100% of the net assets
OECD non-government bonds rated "Investment Grade" at time of purchase	Maximum 20% of the net assets
of which securitised bonds (ABS & MBS)	Maximum 10% of the net assets
Non-OECD government bonds or OECD non-government bonds rated "Speculative Grade" at purchase, or Non-OECD non-government bonds	Maximum 5% of the net assets

## 2-4. Specific instruments: shares/units of investment funds:

The Sub-fund may hold units or shares of UCITS, UCIs or investment funds, subject to a limit of 10% of its assets:

UCITS under French law*	X
UCITS under European law*	X
AIFs under French law which comply with Article R. 214-13 of the French Monetary and Financial Code*	X
European AIFs which comply with Article R. 214-13 of the French Monetary and Financial Code*	X
Investment funds under foreign law which comply with Article R. 214-13 of the French Monetary and Financial Code*	

\*These UCITS/AIFs/investment funds may not hold more than 10% of their assets in UCITS/AIFs/investment funds.

The UCITS or UCIs held by the Sub-fund may be managed by the Management Company or a legally affiliated company.

## 2-5. Derivatives:

The investment process includes the use of financial contracts, whether conditional or otherwise, traded on regulated, organised or over-the-counter markets.

The Sub-fund may use derivatives to overexpose its portfolio.

The Sub-fund's commitment to forward financial instruments will be managed by adhering to the ex-ante "Value-at-Risk" (VaR) restriction of 2.5% maximum, with a confidence interval of 99% over 20 days. It will not exceed this maximum capacity.

## TABLE OF DERIVATIVES

Type of instruments used	MARKET TYPE			RISK TYPE				OPERATION TYPE				
	Admission to regulated markets*	Organised markets	Over-the-counter markets	Share	Interest rates	Foreign exchange	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other strategy (-ies)
<b>Forward contracts (futures) on</b>												
<i>Equities</i>												
<i>Interest rates</i>	X	X			X				X	X	X	
<i>Foreign exchange</i>												
<i>Indexes</i>	X	X			X				X	X	X	
<b>Options on</b>												
<i>Equities</i>												
<i>Interest rates</i>	X	X	X		X				X	X	X	
<i>Foreign exchange</i>	X	X	X			X			X	X	X	
<i>Indexes</i>	X	X	X		X				X	X	X	
<b>Swaps</b>												
<i>Equities</i>												
<i>Interest rates</i>			X		X				X	X	X	
<i>Foreign exchange</i>			X			X			X	X	X	
<i>Indexes</i>			X		X		X		X	X	X	
<b>Forward exchange</b>												
<i>Currency(-ies)</i>			X						X	X	X	
<b>Credit derivatives</b>												
<i>Credit default swap (CDS)</i>			X				X		X	X	X	
<i>First-to-default</i>												
<i>First-loss credit default swap</i>												

\* Please see the Investment Manager's order execution policy at [www.h2o-am.com](http://www.h2o-am.com).

The Sub-fund may enter into total return swaps ("TRS") which seek to swap the performance of all or some of the assets held by the Sub-fund (and held by the Sub-fund's depository) for the performance of an index or an asset class listed in the section entitled "Description of asset classes and financial contracts".

The maximum proportion of assets under management that may be used for TRS is 50% of the net assets. Under normal market conditions, the Investment Manager expects such transactions to involve up to 25% of the Sub-fund's net assets.

The counterparties to total return swaps are credit institutions or other entities that meet the criteria set out in the French Monetary and Financial Code and selected by the Investment Manager in accordance with the counterparty selection procedure available on the Investment Manager's website at the following address: [www.h2o-am.com](http://www.h2o-am.com). The Investment Manager shall enter into such contracts with financial institutions that have their registered office in a Member State of the OECD and with a minimum rating that meets the requirements of the Investment Manager.

These transactions are systematically covered by a contract signed between the Investment Manager and the counterparty that defines the procedures for reducing counterparty risk. Counterparties do not have any discretionary decision-making powers in respect of the composition or management of the Sub-fund's investment portfolio or the assets underlying the derivative.

#### **2-6. Information relating to over-the-counter financial contracts:**

Counterparties consist of leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available on request from the Investment Manager. These transactions are systematically covered by a contract signed between the UCITS and the counterparty that defines the procedures for reducing counterparty risk.

Counterparties do not have any discretionary decision-making powers over the composition or management of the UCITS' investment portfolio or the assets underlying the derivative.

All these instruments will be used to hedge and/or expose the Sub-fund's portfolio against interest rate risk and/or to hedge the portfolio against currency risk.

## 2-7. Securities with embedded derivatives:

**TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES**

Type of instruments used	RISK TYPE					OPERATION TYPE			
	Share	Interest rates	Foreign exchange	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other strategy(-ies)
<b>Warrants on</b>									
Equities									
Interest rates		X				X	X	X	
Foreign exchange									
Indexes		X		X		X	X	X	
<b>Subscription warrants</b>									
Equities									
Interest rates									
Equity link									
<b>Convertible bonds</b>									
Exchangeable bonds	X	X		X			X		
Convertible bonds	X	X		X			X		
Contingent convertible bonds	X	X		X			X		
<b>Callable interest rate products</b>	X	X	X	X			X		
<b>Puttable interest rate products</b>									
<b>Structured EMTNs/MTNs</b>									
Structured MTNs		X		X		X	X	X	
Structured EMTNs		X		X		X	X	X	
Credit-linked notes (CLN)									
<b>Other (to be specified)</b>									

\* Please see the Investment Manager's order execution policy at [www.h2o-am.com](http://www.h2o-am.com).

## 2-8. Deposits:

The Sub-fund may make deposits in compliance with the French Monetary and Financial Code, of a maximum term of twelve months. These deposits, which will enable the Sub-fund to manage all or part of its cash, contribute to the achievement of its management objective.

### **2-9. Cash and cash equivalents:**

The Sub-fund may hold cash and cash equivalents on an ancillary basis.

### **2-10. Cash borrowings:**

The Sub-fund may borrow cash up to a limit of 10% of its assets and only on a temporary basis.

### **2-11. Temporary purchases and sales of securities:**

The Investment Manager may carry out temporary purchases or sales of securities (also known as securities financing transactions), up to a limit of 100% of the assets. It is expected that 50% of the assets under management will be subject to securities financing transactions.

<b>Types of transactions used</b>	
Repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Others	

<b>Types of operation, all of which must be limited to achieving the management objective</b>	
Cash management	X
Optimisation of the Sub-fund's earnings and performance	X
Others	

### **2-12. Information on the use of temporary purchases/sales of securities:**

The purpose of using temporary sales of securities is to obtain an additional return for the UCITS and therefore to contribute to its performance. Furthermore, the UCITS may enter into reverse repurchase agreements as part of the reinvestment of cash collateral and/or repurchase agreements to meet liquidity needs.

### **2-13. Contracts constituting collateral:**

In connection with the conclusion of financial contracts and/or securities financing transactions, the Sub-fund may receive/pay collateral in the form of a transfer of the full ownership of securities and/or cash.

Securities received as collateral must meet the criteria laid down by the regulations and must be granted by credit institutions or other entities that meet the legal, country and other financial criteria set out in the French Monetary and Financial Code.

The level of collateral and the discount policy are set by the Investment Manager's collateral eligibility policy in accordance with the regulations in force, and include the following categories:

- ✓ Cash collateral in various currencies according to a predefined list, such as EUR and USD;
- ✓ Collateral as debt or equity securities on the basis of a specific classification.

The eligibility policy for collateral explicitly defines the level of collateral required and the discounts applied to each type of collateral in accordance with rules that depend upon their specific characteristics. In accordance with the regulations in force, it also specifies the rules for the diversification of risks, correlation, appraisal, credit quality and regular stress tests on the collateral's liquidity.

In accordance with the conditions set out in the regulations, in the event that collateral is received in cash, it may only be:

- placed on deposit;
- invested in high-quality government bonds;
- used in reverse repurchase agreements;
- invested in money market undertakings for collective investment (UCI) at short-term variable net asset value.

Collateral other than in cash received may not be sold, reinvested or pledged as security.

In accordance with the valuation rules laid down in this prospectus, the Management Company will conduct a daily valuation of received collateral on a mark-to-market basis. Margin calls will be made on a daily basis.

The collateral received by the Sub-fund will be held by the Sub-fund's depository or, failing that, by any third-party depository that is subject to prudential supervision and that has no connection with the provider of the collateral.

The risks associated with securities financing transactions, financial contracts and the management of collateral are described in the risk profile section.

□ **TAXONOMY (REGULATION EU 2020/852):**

The underlying investments of the Sub-fund do not take into account the EU criteria set out in the Taxonomy Regulation for environmentally sustainable economic activities

□ **RISK PROFILE**

Your money will mainly be invested in financial instruments selected by the Management Company. These instruments will be subject to market trends and risks.

The net asset value may experience high variation due to the financial instruments included in the portfolio. This means that you may not get back all the capital you invested, and this applies equally for investments made for the recommended investment period.

The various risks to which the Sub-fund is exposed may cause the net asset value of the Sub-fund to fall.

**Risk of capital loss:** the risk of capital loss results from selling a share for less than the purchase price paid.

The Sub-fund offers no guarantee or protection, so you may not get back the full amount of your initial investment.

**Credit risk:** the risk that an issuer may default and the risk of depreciation that may affect portfolio securities as a result of a change in issuer credit spreads in all debt security classes of the portfolio. This risk may lead to a fall in the net asset value. Securities whose rating is below BBB- (S&P and Fitch Ratings) or Baa3 (Moody's) belong to the "Speculative Grade" class and have a risk of delayed or even non-repayment of coupons and/or the principal. Furthermore, in downgraded market conditions, their valuation may suffer significant fluctuations and negatively impact the net asset value of the Sub-fund. This risk may be intensified by the lack of liquidity of the high-yield bond market. It should be specified that high-yield securities are speculative securities.

**Interest rate risk:** the Sub-fund is permanently invested in interest rate instruments. Accordingly, its net asset value may fall in a period of rising rates. Moreover, the higher the Sub-fund's modified duration (variation percentage of the net asset value when rates change by 1%), the higher the interest rate risk to which the Sub-fund is exposed, and vice versa. Because of its investment strategy, the Sub-fund is subject to a greater interest rate risk, its modified duration potentially going up to 1.

**Risk taken in relation to the benchmark:** the risk that the Sub-fund's performance may deviate from that of its benchmark. In accordance with the "Strategies employed" section, risks may be taken with regard to the benchmark in order to achieve the management objective, which may result in the Sub-fund underperforming its benchmark.

**Counterparty risk:** the Sub-fund uses forward financial instruments, over-the-counter instruments and/or temporary purchases and sales of securities. These transactions, entered into with one or more eligible counterparties, potentially expose the Sub-fund to the risk of one of these counterparties defaulting, which may cause them to default on payment. The use of derivatives is likely to increase or limit interest rate risk and credit risk, within the limits described above and in the "Investment strategy" section. If this risk occurs, it may lead to a fall in the Sub-fund's net asset value.

**Risk associated with emerging market securities:** the securities of these countries may be difficult to trade or may even temporarily cease to be tradable, owing in particular to a lack of trading on the market or to regulatory restrictions; as a result, holding such securities may result in departures from the Sub-fund's normal operation in accordance with the UCITS' regulations and if the interests of investors so dictate. Moreover, since downward movements on the market may be faster and more pronounced than on developed markets, the net asset value may fall more sharply and rapidly.

**Arbitrage risk:** arbitrage is a technique that takes advantage of price differences observed (or expected) between markets and/or sectors and/or securities and/or currencies and/or instruments. In the event of an unfavourable outcome in such arbitrage transactions (false expectations: rises in the case of sales transactions and/or falls in the case of purchase transactions), the net asset value of the UCITS may fall.

**Currency risk:** the risk of a fall in the investment currencies against the euro, the portfolio's reference currency. If a currency falls against the euro, the net asset value may fall.

For H-I/C (USD) shares, denominated in USD, the euro (EUR) currency risk is hedged in order to minimise the impact of variations in the US dollar (USD) against the euro for shareholders whose investment is made in USD.

For H-I/C (CHF) and H-R/C (CHF) shares, denominated in CHF, the euro (EUR) currency risk is hedged in order to minimise the impact of variations in the Swiss franc (CHF) against the euro for shareholders whose investment is made in CHF.

For H-I/C (GBP) shares, denominated in GBP, the euro (EUR) currency risk is hedged in order to minimise the impact of variations in the pound sterling (GBP) against the euro for shareholders whose investment is made in GBP.

**Overexposure risk:** as part of the commitment approach, risk budgets are determined for the various strategies. The Sub-fund will therefore have variable levels of exposure to the various types of risk stated in this prospectus. The level of exposure depends in particular on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to fall faster and/or to a greater extent than the markets underlying these risks.

**Liquidity risk:** the liquidity risk present in the Sub-fund represents the fall in price that the UCITS could potentially have to accept in order to sell certain assets for which there is insufficient market demand.

**Risk associated with temporary purchases and sales of securities, total return swaps (TRS) and the management of collateral:** temporary purchases and sales of securities and total return swaps (TRS) are likely to create risks for the Sub-fund such as the counterparty risk defined above. The management of collateral may create risks for the Sub-fund, such as liquidity risk (i.e. the risk that a security received as collateral is not sufficiently liquid and cannot be sold quickly in the event that the counterparty defaults) and, where applicable, risks related to the reuse of cash collateral (i.e. primarily the risk that the Sub-fund is unable to reimburse the counterparty).

**Risks related to investments in “contingent convertibles”:** the Sub-fund may invest in subordinated bonds such as “contingent convertibles”, which are fixed income securities that include an option to convert into shares at the initiative of the issuer in the event of a deterioration of its financial position. In addition to the credit risk and interest rate risk inherent in bonds, the exercise of this conversion option may cause the Sub-fund’s net asset value to fall more significantly than would be observed on the issuer’s other conventional bonds.

**Sustainability risk:** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

These various risks may lead to a fall in the net asset value of the Sub-fund.

#### □ **TARGET SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

The Sub-fund is for all subscribers.

R and H-R shares are primarily aimed at private individuals.

I and HI shares are primarily aimed at institutional investors.

The N unit is open to all subscribers, specifically intended for private individuals who invest through distributors, financial advisers, platforms or other intermediaries (collectively, “Intermediaries”) in connection with a separate contract or a fee-based contract between the investor and an intermediary.

The Sub-fund is aimed at investors who wish to invest the stable portion of their cash with the objective of outperforming the capitalised €STR index for shares denominated in euros and, for H-I/C (CHF), H-R/C (CHF), H-I/C (USD) and H-I/C (GBP) shares respectively, the capitalised SARON, the capitalised SOFR and the capitalised SONIA, over an investment period that is at least equal to the minimum recommended investment period.

Subscribers residing in the territory of the United States of America are not permitted to subscribe to this UCITS.

In accordance with applicable EU regulations<sup>1</sup> introduced on 12 April 2022, and for as long as these remain in force, subscribers (natural persons and legal entities) of Russian or Belarusian nationality and/or residing or established in Russia or Belarus are not permitted to subscribe to this UCITS, without prejudice to any exceptions set out in these regulations

The minimum recommended investment period is one year.

The amount that it would be reasonable to invest in the Sub-fund depends on the amount of risk the investor is willing to take. This amount also depends on the shareholder's personal profile, particularly their financial situation and the current composition of their financial assets.

**Building and holding a financial asset portfolio implies a diversification of investments.**

It is also recommended that anyone wishing to subscribe to shares in the Sub-fund contact their usual adviser in order to obtain information or advice tailored to their personal circumstances.

We strongly recommend that potential investors ensure their investments are sufficiently diversified and not exposed solely to the risks of this Sub-fund.

□ **PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE INCOME – ALLOCATION FREQUENCY**

The Sub-fund is an accumulation sub-fund.

□ **SHARE FEATURES**

Shares	ISIN code	Base currency	Splitting of shares	Minimum initial investment	Minimum subsequent investment
<b>H-SI/C **(CHF)</b>	FR0013396991	CHF	Ten-thousandths	CHF 100 million	CHF 100 million
<b>I/C (EUR)</b>	FR0013282720	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a share
<b>N/C (EUR)</b>	FR0013282738	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share
<b>H-I/C* (USD)</b>	FR0013282761	USD	Ten-thousandths	USD 100,000	One ten-thousandth of a share
<b>H-I/C** (CHF)</b>	FR0013282795	CHF	Ten-thousandths	CHF 100,000	One ten-thousandth of a share

<sup>1</sup> As at 1 June 2022, Regulation (EU) 833/2014, as amended, Regulation (EU) 398/2022 and Council Decision 2022/579.

<b>H-I/C*** (GBP)</b>	FR0013283025	GBP	Ten-thousandths	GBP 100,000	One ten-thousandth of a share
<b>R/C (EUR)</b>	FR0013393261	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share
<b>H-R/C** (CHF)</b>	FR0013393279	CHF	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share

\* Unit systematically hedged against EUR/USD currency risk

\*\* Unit systematically hedged against EUR/CHF currency risk

\*\*\* Unit systematically hedged against the EUR/GBP currency risk

The Sub-fund's reference currency is the euro.

□ **SUBSCRIPTION AND REDEMPTION PROCEDURES**

Subscription and redemption orders are centralised at 12:30 on each net asset value calculation day (D). These orders are executed on the basis of the net asset value established on D and calculated on the D+1 working day.

Investors intending to purchase shares and shareholders wishing to redeem shares are requested to contact their usual marketing agent directly with regard to the deadline for the receipt of their subscription or redemption applications, as this may be prior to the aforementioned clearing deadline.

Orders are executed in accordance with the table below for Euro and GBP currency:

D business day	D business day	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Clearing before 12.30 p.m. CET for subscription orders <sup>1</sup>	Clearing before 12.30 p.m. CET for redemption orders <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution.

Orders are executed in accordance with the table below for other currency:

D business day	D business day	D: NAV calculation day	D+1 business day	D+3 business days	D+3 business days
Clearing before 12.30 p.m. CET for subscription orders <sup>1</sup>	Clearing before 12.30 p.m. CET for redemption orders <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution.

□ **FREQUENCY OF NET ASSET VALUE CALCULATION**

The net asset value is calculated on every Euronext Paris trading day, with the exception of French official public holidays.

The net asset value may be obtained from the Management Company:

H2O AM EUROPE

39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France.

Website: [www.h2o-am.com](http://www.h2o-am.com)

□ **FEES AND COMMISSIONS**

Subscription and redemption fees:

Subscription and redemption fees increase the subscription price paid by the investor or reduce the redemption price. The fees accruing to the Sub-fund serve to offset the costs borne by the Sub-fund in investing and divesting investors' assets. Remaining fees are paid back to the Management Company, marketing agent, etc.

<b>Fees charged to the investor and collected at the time of subscriptions and redemptions</b>	<b>Base</b>	<b>Rate/scale</b>
Maximum subscription fee not payable to the Sub-fund	Net asset value × Number of shares	For all R and I share classes: Maximum 1%
Maximum subscription fee reserved for the management company	Net asset value × Number of shares	None
Subscription fee payable to the Sub-fund	Net asset value × Number of shares	None
Maximum redemption fee not payable to the Sub-fund	Net asset value × Number of shares	None
Redemption fee payable to the Sub-fund	Net asset value × Number of shares	None

Fees charged to the Sub-fund:

These charges cover:

- Financial management fees,
- Operating expenses and other services,
- Maximum indirect costs (management commissions and fees) for UCITS that invest over 20% in other UCITS or investment funds,
- Transfer fees,
- Performance fees.

<b>Fees charged to the Sub-fund</b>	<b>Base</b>	<b>Rate/scale</b>
Financial management fees	Net assets	Maximum rate 0.35% incl. tax for SI/C (EUR) shares; 0.20% incl. tax for I shares; 0.30% incl. tax for N shares; 0.60% incl. tax for R shares.
Operating expenses and other services	Net assets	Maximum rate 0.15% incl. tax for all shares
Transfer fees	Deducted from each transaction, allocated proportionately between beneficiaries	A maximum rate scale of 0.005% per month on financial instruments and a maximum of €400 per month for the administration of over-the-counter transactions.
Performance fee	Positive difference between valued assets and reference assets	All I, N and R shares: 20%, including tax, of the outperformance of the index shown below;  None for SI/C shares.

In particular, external distributors and delegated financial managers may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees.

The following costs may be added to the fees charged to the UCITS and shown above:

- Exceptional and non-recurring debt recovery costs (e.g. Lehman Brothers proceedings) or costs to enforce a right (e.g. class action proceedings).  
Information on these fees is also described ex post in the annual report of the UCITS.

The operating expenses and other services correspond to the internal or external fees of the Management Company relating to:

#### I. UCI registration and benchmarking fees

- All costs related to the registration of the UCI in other Member States (including costs charged by advisers (lawyers, consultants etc.) for carrying out marketing procedures with the local regulator on behalf of the portfolio management company);
- UCI listing fees and publication of net asset values for investor information;
- Distribution platform fees (excluding retrocessions); agents in foreign countries involved in distribution: local transfer agent, paying transfer agent, facility agent etc.

#### II. Customer and distributor information costs

- Costs of compiling and distributing regulations and regulatory reports;
- Costs related to the disclosure of regulatory information to distributors;
- Provision of information to unitholders by any means (publication in the press, other);
- Information specific to direct and indirect unitholders: letters to unitholders etc.;
- Website administration costs;
- Translation fees specific to the UCI.

### III. Data charges

- Licensing costs of the benchmark index used by the UCI;
- Costs of data used for redistribution to third parties (e.g. reuse of issuer ratings, index compositions, data etc.) ;
- Costs arising from specific client requests (e.g. a request to add two specific non-financial indicators to the reporting as requested by the client);
- Data charges for single products that cannot be amortised over several portfolios. Example: an impact fund requiring specific indicators;
- Audit fees and label promotion costs (e.g. SRI label, Greenfin label).

### IV. Custodian, legal, audit, tax fees etc.

- Statutory auditors' fees;
- Fees related to the custodian;
- Fees related to account-holders;
- Fees related to the delegation of administrative and accounting management;
- Audit fees;
- Tax expenses including lawyers and external experts (recovery of withholding taxes on behalf of the Fund, local tax agent etc.);
- Legal fees specific to the UCI;
- Guarantee fees;
- Costs of creating a new Sub-fund that can be amortised over five years.

### V. Fees related to compliance with regulatory obligations and regulatory reporting

- Costs of preparing regulatory reports for the regulator that are specific to the UCI (MMF reporting, AIFM, ratio overruns etc.);
- Mandatory professional association contributions;
- Contributions due for the management of this UCITS pursuant to 4° of II of Article L. 621-5-3 of the French Monetary and Financial Code;
- Exceptional and non-recurring taxes, fees and governmental duties (in relation to the UCITS);
- Operating fees for monitoring threshold crossings;
- Operating fees for the deployment of voting policies at Shareholders' Meetings.

### VI. Operating expenses

- Fees for compliance monitoring and control of investment restrictions where such restrictions arise from specific customer requests and are specific to the UCI.

### VIII. Fees related to customer knowledge

- Operating expenses for customer compliance (due diligence and creation/updating of customer files).

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

### **Performance fee:**

The performance of each of the Sub-fund's share classes is calculated on the basis of changes in the net asset value (NAV) of this share class.

The performance fee that applies to a particular share class is based on a comparison of the valued assets of this share class with its reference assets (model based on a benchmark). Any

underperformance of the Fund with respect to the benchmark must be offset before performance fees become due, regardless of the duration of such underperformance. The valued assets, reference assets and High-Water Mark are calculated for each share class and are understood as follows:

- a) The **valued assets** are equal to the amount of the Sub-fund's assets in the share class concerned, valued in accordance with the rules applicable to the assets and taking into account the actual operating and management costs corresponding to this share class.
- b) The **High-Water Mark** ("HWM") corresponds to the Sub-fund's highest NAV for the share class concerned, recorded at the end of each observation period since the date the relevant share class was launched and for which performance fees have been debited.
- c) During the observation period and each time the net asset value is calculated, the **reference assets** are adjusted for the amounts of subscriptions/redemptions applicable to this share class and valued in accordance with the performance of the relevant benchmark. At the beginning of the observation period: (i) if the valued assets at the end of the previous observation period are higher than the reference assets on that date, the reference assets are then equal to the HWM multiplied by the number of shares in the share class concerned on that same date; (ii) if the valued assets at the end of the previous observation period are lower than or equal to the reference assets on that date, or during the observation period, the reference assets are adjusted for subscriptions/redemptions and valued in accordance with the performance of the reference index applicable to the share class.

The reference rate is equal to the performance of the daily capitalised €STR, plus:

- 0.50% per year for I/C (EUR) shares,
- 0.40% per year for N/C (EUR) shares,
- and 0.10% per year for R/C (EUR) shares.

The reference rate is equal to the performance of the daily capitalised SOFR, plus:

- 0.50% per year for H-I/C (USD) shares,

The reference rate is equal to the performance of the daily capitalised SARON, plus:

- 0.50% per year for H-I/C (CHF) shares,
- and 0.10% per year for H-R/C (CHF) shares.

The reference rate is equal to the performance of the daily capitalised SONIA, plus:

- 0.50% per year for H-I/C (GBP) shares.

As a reminder, the data concerning the past performance of the reference indicator are mainly available in the KIIDs, monthly reports and the annual report of the UCITS available on the following website: [www.h2o-am.com](http://www.h2o-am.com)

The Sub-fund's performance is calculated according to changes in the net asset value of each share class.

The observation period is defined as follows:

- Until 30 September 2021: from the first trading day of October to the last trading day of September the following year.
- Until 31 December 2022: from the first trading day of October to the last trading day of December the following year.
  
- For subsequent observation periods: from the first trading day of January to the last trading day of December.

If, during the observation period, the valued assets of a particular share class exceed the reference assets as defined above, the performance fee will represent up to 20% of the difference between these two asset values. A provision for performance fees is then taken into account when calculating the net asset value.

If, during the observation period, the valued assets of a particular share class are lower than the reference assets, the performance fee will be zero. In this case, any previously approved provision will be readjusted by a reversal.

The final performance fee will not be calculated until the end of the relevant observation period. The fee is then “crystallised” and, as such, may be charged. In the event of redemption during the observation period, the portion of the provision corresponding to the number of shares redeemed accrues permanently to the Management Company and may be charged before the end of the observation period in progress.

As performance fees are based on the performance of each share class, they are calculated daily and taken into account when calculating the NAV of the share class concerned. This method cannot therefore ensure that the actual performance of each investment is individually monitored, which may, in some cases, result in residual inequity between shareholders.

In other words, and by way of example, any investors subscribing during a period of overperformance when a performance fee has been provisioned “lose less” if the net asset value falls, as they benefit from mitigation as a result of drawing on the provision, even though their investment did not contribute to establishing this provision. At the same time, investors who have already invested will not benefit from the full provision established since the beginning of the observation period in question (or from their subscription date, if this is after the beginning of this period).

Similarly, any investors subscribing during a period of underperformance when no performance fees have been provisioned “gain more” if the net asset value increases, as they benefit from their investment appreciating, without having contributed to establishing provisions as long as the valued assets of the share class are lower than the reference assets. Nevertheless, for all unitholders, these investments reduce the returns required to make up the difference between the valued assets and the reference assets. Performance fees will therefore be provisioned sooner.

Furthermore, if the performance of a particular share class over a given observation period is negative, performance fees may be charged under certain circumstances, if the performance of the reference index is worse than that of the share class in question.

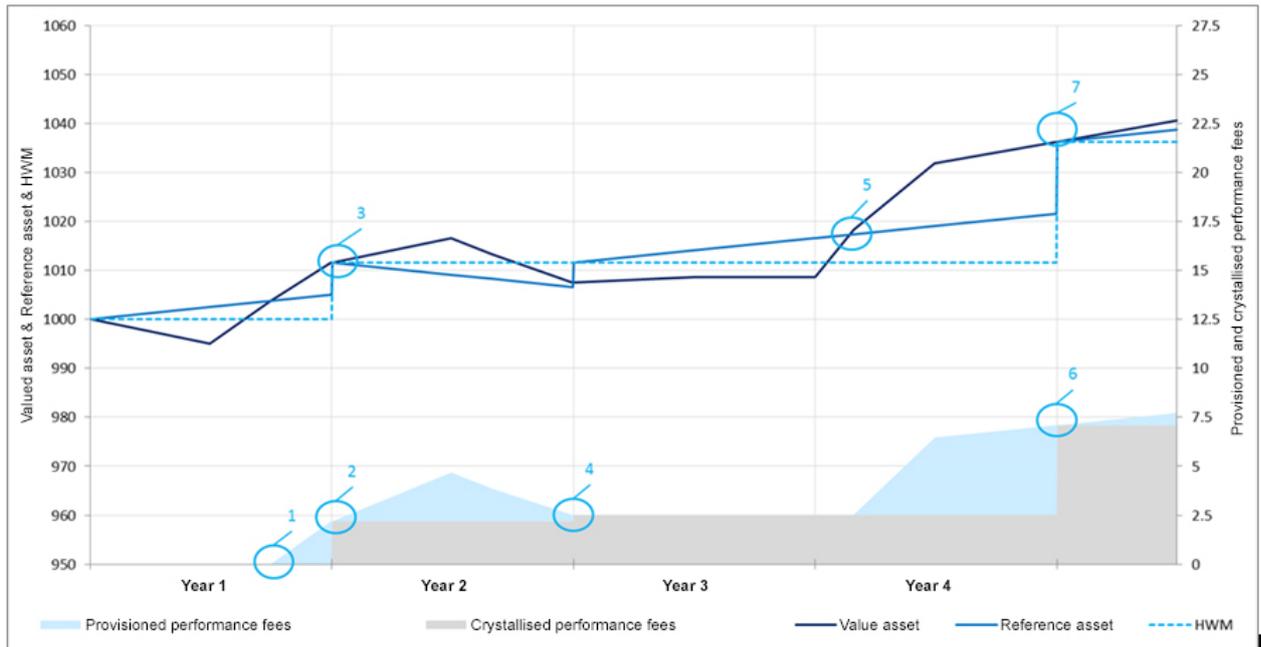
The simulations below illustrate several scenarios incorporating the assumptions of a lack of subscription/redemption flows for a given share class and zero performance of the reference assets (i.e. the performance of the reference index is zero).

**Year 1:** The share ends the first year with a positive performance. The performance fee, which was provisioned when the valued assets were higher than the reference assets (point 1), is then crystallised (point 2). The HWM is adjusted to the NAV recorded on the last day of the observation period (point 3).

**Year 2:** At the start of the second period, the reference assets are adjusted to the new HWM multiplied by the number of shares. At the end of the period, the fund ends with a negative performance, but higher than that of the reference index. The performance fee, which was provisioned when the valued assets were higher than the reference assets, is then crystallised (point 4). The HWM remains unchanged.

**Year 3:** At the start of the observation period, the reference assets are adjusted to the HWM multiplied by the number of shares. Performance is positive, but the valued assets are still lower than the reference assets. The Fund makes no provisions for performance fees and no performance fee is crystallised at the end of the financial year. The HWM remains unchanged.

**Year 4:** At the start of the observation period and since, at the end of the previous year, the valued assets were lower than the reference assets, the reference assets were adjusted for subscriptions/redemptions and valued according to the performance of the benchmark, as during the observation period. Positive performance means that the valued assets are higher than the reference assets again (point 5) and the underperformances of year three can be offset. From this date on, provisions are once again made for performance fees. At the end of the observation period, the performance fee is crystallised (point 6) and the HWM is adjusted to the NAV recorded on that date (point 7).



**Further information concerning the distribution of income from temporary purchases and sales of securities:**

All remuneration from these transactions is retained in full by the Sub-fund.

**III COMMERCIAL INFORMATION**

□ **DISSEMINATION OF INFORMATION CONCERNING THE UCITS – INFORMATION PROCEDURES FOR SHAREHOLDERS:**

**DISTRIBUTION OF THE PROSPECTUS AND ANNUAL AND INTERIM DOCUMENTS**

- These documents will be sent to shareholders upon written request to:  
H2O AM EUROPE  
39 Avenue Pierre 1er de Serbie, 75008 Paris, France.  
Email: [info@h2o-am.com](mailto:info@h2o-am.com)

- The documents will be sent to holders within eight business days.
- These documents are also available online at [www.h2o-am.com](http://www.h2o-am.com).
- Further information can be obtained from branches of the marketing agents.

**INFORMATION ON THE NET ASSET VALUE**

The net asset value can be obtained from H2O AM EUROPE, from branches of the marketing agents and online at [www.h2o-am.com](http://www.h2o-am.com).

**COMMERCIAL DOCUMENTATION**

Commercial documentation is available to the SICAV's shareholders on the Management Company's website at [www.h2o-am.com](http://www.h2o-am.com).

### **NOTIFICATION OF CHANGES TO THE SICAV'S OPERATING PROCEDURES**

Shareholders are informed of any changes concerning the Sub-fund in line with the procedures drawn up by the Autorité des Marchés Financiers.

If applicable, this information may be provided via Euroclear France and its associated financial intermediaries.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA**

Information on the procedures for taking account of criteria relating to compliance with environmental, social and governance (ESG) quality objectives can be found in the annual reports of the relevant UCITS and on the Management Company's website.

## **IV INVESTMENT RULES**

The UCITS complies with the investment rules for UCITS as stipulated by the French Monetary and Financial Code.

In particular, the Sub-fund may invest up to 100% of its assets in securities guaranteed by a State, a local public authority and/or a public international organisation, on condition that this 100% is spread over at least six issues, with none of them representing more than 30% of the assets.

## **V OVERALL RISK**

The calculation method used by the Sub-fund is the absolute Value-at-Risk method.

The indicative average leverage level for the Sub-fund is 7.

However, the Sub-fund may reach a higher leverage level. The indicative level of leverage for the Sub-fund is calculated as the sum of the nominal positions on the financial contracts that are used.

## **VI ASSET VALUATION AND ACCOUNTING RULES**

### **A) Asset valuation rules**

#### **I - Securities portfolio**

The Management Company has delegated accounting management (including the valuation of the Sub-fund's portfolio) to CACEIS Fund Administration.

The Sub-fund's portfolio is valued each time the net asset value is calculated and when the accounts are closed, at the closing price.

The annual accounts of the SICAV are drawn up on the basis of the final net asset value for the financial year.

The Sub-fund complies with the accounting rules and methods prescribed by current regulations and with the UCITS chart of accounts, which, on the prospectus publication date, are as follows:

### **Equities**

French equities are valued on the basis of the latest quoted price in the case of securities admitted to a deferred settlement system or a spot market.

Foreign equities are valued on the basis of the latest price on the Paris stock exchange, if the securities are listed in Paris, or on the first trading day of their main market, converted into euros in accordance with the WMR rate for the currency on the valuation date.

### **Bonds**

Bonds are valued on the basis of a Bloomberg composite rating retrieved at 17:00 (Paris time) in accordance with the WMR rate for the currency on the valuation date.

### **Transferable securities**

Transferable securities for which the price has not been recorded on the valuation date or has been adjusted, are valued by the Management Company at their likely trading value.

For unlisted securities or those for which the price was not reported on the valuation day, as well as for other balance sheet items, the Management Company adjusts its valuation on the basis of the variations that seem likely in view of current events. The statutory auditor is informed of these valuations and the justifications for them during their audit.

Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date.

### **UCITS/AIFs/investment funds**

Units or shares of UCITS/AIFs or investment funds are valued at the last known net asset value. Foreign undertakings for collective investment that carry out valuations at times that are incompatible with the calculation of the Sub-fund's net asset value are valued on the basis of estimates supplied by the administrators of the undertakings, under the supervision and responsibility of the Management Company.

### **Money market instruments**

Money market instruments are valued in accordance with the following rules:

- French fixed rate bills (Bons du Trésor à taux fixe – BTFs) are valued on the basis of an average of contributed prices obtained from market makers;
- Unlisted variable-rate money market instruments are valued at cost price, adjusted to take into account any potential variations in credit spreads;
- Other fixed-rate money market instruments (certificates of deposit, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

In the absence of an indisputable market price, money market instruments are valued by applying a yield curve, adjusted, if necessary, by a margin calculated on the basis of the characteristics of the security (of the issuer).

However, negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method.

### **Repurchase and reverse repurchase agreements**

Repurchase and reverse repurchase agreements on securities are valued at the contract price, adjusted for any margin calls (valued in accordance with the conditions set out in the contract). For unlisted transferable securities or those for which the price is not reported on the valuation date, as well as other balance sheet items, the Board of the Management Company adjusts the valuation on the basis of variations that are likely in view of current events.

## **II - Futures and options transactions**

### **Organised futures and options markets**

The derivatives listed on an organised market are valued on the basis of the settlement price.

#### **Swaps**

Asset swaps are valued at the market price based on the residual maturity of the asset and the valuation of the issuer's credit spread (or the trend in its rating).

Asset swaps with a maturity of three months or less are valued using the straight-line method, except in the case of an exceptional market event.

Asset swaps with a residual maturity exceeding three months are valued at the market price based on the spreads indicated by the market makers. In the absence of a market maker, the spreads will be obtained by any means from the available contributors.

Other swaps are valued in accordance with the following rules:

Swaps with a maturity of three months or less are valued using the straight-line method. Swaps with more than 3 months remaining are valued using the turnover rate method using a zero coupon yield curve.

Complex instruments such as CDS, SES and complex options are valued according to their type using an appropriate method.

#### **Forward exchange contracts**

These are valued at the exchange rate for the currencies on the valuation date, allowing for the amortisation of the carry-forward/discount.

They may be valued at market price based on forward foreign exchange curves.

## **III - Off-balance sheet commitments**

Off-balance sheet commitments are valued as follows:

### **A) Commitments on futures markets:**

#### **1) Futures:**

Commitment = reference price (the prices at 17:00 on Bloomberg, Paris time) x nominal contract value x quantities

With the exception of commitments under the Euribor contract traded on LIFFE, which are recorded at their nominal value.

#### **2) Swap commitments:**

##### **a) Interest rate swaps**

Interest rate swaps with a maturity of three months or less  
backed: nominal value + accrued interest (interest differential)  
non-backed: nominal value + accrued interest (interest differential)

Interest rate swaps with a maturity exceeding three months  
backed:

- ° Fixed rate/Variable rate
- appraisal of the fixed-rate portion at the market price
- ° Variable rate/Fixed rate
- appraisal of the variable-rate portion at the market price

non-backed:

- ° Fixed rate/Variable rate
- appraisal of the fixed-rate portion at the market price
- ° Variable rate/Fixed rate
- appraisal of the variable-rate portion at the market price

**b) Other swaps**

These will be valued at the market value.

**B) Commitments on options markets:**

Commitment = quantity x nominal contract value (portion) x price of underlying x delta.

**IV - Currencies**

The Foreign currency prices are converted into euros in accordance with the WMR rate (16:00, London time) on the valuation date.

**V - Unlisted financial instruments and other securities**

- Financial instruments for which the price has not been recorded on the valuation date are valued at the most recent officially published price or at their likely trading value, under the responsibility of the Management Company;
- Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date;
- The Management Company is responsible for appraising financial instruments not traded on a regulated market at their likely trading value;
- Other financial instruments are appraised at their market value as calculated by the counterparties, under the supervision and responsibility of the Management Company.

The valuations of unlisted financial instruments and the other securities referred to in this paragraph, together with the justifications for them, are communicated to the statutory auditor during their audit.

**Swing pricing mechanism of the net asset value with trigger threshold (from 30 September 2017)**

The Management Company has implemented a method for adjusting the net asset value (NAV) with a trigger threshold.

This mechanism consists in making investors, who subscribe or redeem their shares, bear the charges related to transactions carried out on the Sub-fund's assets owing to movements (subscriptions/redemptions) in the Sub-fund's liabilities. The purpose of this mechanism, enshrined in a policy, is to protect shareholders who remain in the Sub-fund by ensuring that they bear the lowest possible charges. This results in an adjusted "swing" NAV.

This means that if, on a NAV calculation day, the total number of net subscription/redemption orders from investors across all share classes of the Sub-fund exceeds a threshold that is predetermined, based on the objective criteria set out by the Management Company, as a percentage of net assets, the NAV can be adjusted upwards or downwards to take into account the readjustment costs attributable to the respective net subscription/redemption orders. If the Sub-fund issues several share classes, the NAV of each share class is calculated separately but any adjustment has, as a percentage, the same impact on all NAVs of the Sub-fund's share classes.

The readjustment and triggering cost parameters are determined by the Management Company and reviewed periodically. These costs are estimated by the Management Company based on transaction charges, purchase-sale ranges and any taxes applicable to the Sub-fund.

The adjustment mechanism will be applied at some point in the future, however it is not possible to predict accurately when or how often the Management Company will make such adjustments.

Investors are informed that the volatility of the Sub-fund's NAV may not only reflect that of securities held in the portfolio owing to application of the adjustment mechanism.

The "swing" NAV is the Sub-fund's only net asset value and the only one communicated to the Sub-fund's shareholders. However, in the event of a performance fee, this is calculated based on the NAV before the adjustment mechanism is applied.

## **B Accounting methods**

Income is recorded on a cash accounting basis.

Trading fees are recorded in the Sub-fund's specific accounts and are not added to the price.

The Weighted Average Cost Price method is used for the settlement of securities. For derivative products, however, the FIFO (First In, First Out) method is used.

Additions to the portfolio are recorded at their acquisition price excluding fees, and disposals are recorded at their sale price excluding fees.

## **VII REMUNERATION**

Details of the remuneration policy are available at [www.h2o-am.com](http://www.h2o-am.com).

## **SUB-FUND: H2O EUROPEA**

### □ **ISIN CODES**

<b><u>Equities</u></b>	<b><u>ISIN code</u></b>
<b>SI/C (EUR)</b>	FR0013410040
<b>I/C (EUR)</b>	FR0013410057
<b>R/C (EUR)</b>	FR0013410065
<b>N/C (EUR)</b>	FR0013410073

### □ **HOLDING OF UNITS OR SHARES OF UCIs (UCITS OR AIFs) OR INVESTMENT FUNDS**

The Sub-fund may invest up to 10% of its net assets in units or shares of UCIs or investment funds.

### □ **INFORMATION ON THE TAXATION SYSTEM**

The shares are eligible for the *Plan d'Épargne en Actions* (PEA) [Equity Savings Plan].

### □ **MANAGEMENT OBJECTIVE**

**For SI, I, R and N shares**

The Sub-fund's objective is to achieve a performance that is:

- 1.50% per year higher than that of the STOXX Europe 600 NDR over its minimum recommended investment period for SI shares, after deduction of ongoing charges;
- 1% per year higher than that of the STOXX Europe 600 NDR over its minimum recommended investment period for I shares, after deduction of ongoing charges;
- 0.90% per year higher than that of the STOXX Europe 600 NDR over its minimum recommended investment period for N shares, after deduction of ongoing charges;
- 0.60% per year higher than that of the STOXX Europe 600 NDR over its minimum recommended investment period for R shares, after deduction of ongoing charges.

### □ **BENCHMARK:**

The STOXX Europe 600 net dividends reinvested is a stock market index composed of 600 of the main European large-cap, medium-cap and small-cap stocks, devised by STOXX. This index has a fixed number of 600 components and includes large-cap companies from 18 European countries, covering around 90% of the free-float market capitalisation in the European stock exchange. The countries included in the index are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The STOXX Europe 600 NDR is denominated in euros.

It is published by STOXX Limited and is available at [www.stoxx.com](http://www.stoxx.com).

The administrator of the benchmark index is recorded on the register of administrators and benchmark indices held by ESMA.

## □ **INVESTMENT STRATEGY**

### **1. Strategies employed**

A minimum of 75% of the SICAV's assets are invested in securities eligible for the PEA.

The Sub-fund is fund of equities from European Union countries, the aim of which is to replicate its benchmark index by establishing positions on all the equity markets of European Union countries, and to outperform its benchmark using a combination of strategic and tactical positions as well as arbitrage on all global fixed income and currency markets.

The Sub-fund's investment strategy will focus on two main areas:

- A strategy that aims to replicate the benchmark index (“Active Replication”)
- A strategy focused on bond and foreign exchange market instruments (“the overlay”).

#### **Active Replication**

Active Replication aims to replicate the performance of the STOXX Europe 600 NDR index (the “benchmark index”).

To achieve this, the Management Company or its delegate for investment management (hereinafter “Investment Manager”) adopts an active management strategy consisting of investing in a basket of equities, the composition of which may differ from that of the benchmark, and then swapping the performance of this basket for that of the benchmark index. Depending on how it views the market, the Investment Manager may reduce or increase exposure to the benchmark index; it may also expose a maximum of 10% of the Sub-fund's assets to equities that are not included in the benchmark index.

No assurance can be given as to whether the performance of the Active Replication will be identical to that of the benchmark index. In particular, it should be noted that no transaction charges will be incurred for the sale or purchase of securities. In addition, certain charges and tax considerations are deducted from the price of the shares; whereas these do not affect the benchmark index. Additional information on the benchmark index can be obtained from STOXX Limited in printed or electronic form.

#### **The Overlay**

The performance of the Overlay is related more to relative trends in the markets (relative positions and arbitrages) than to the general direction of these markets (directional positions).

For each asset class, the exposure is decided first and separately from the other asset classes.

The asset allocation is therefore a consequence of these exposure choices.

The Overlay is based on a “top-down” approach and relies in particular on macroeconomic analysis, an analysis of capital flows, and relative market valuations.

## **SFDR:**

With reference to the regulation known as the “SFDR Regulation” (Regulation (EU) 2019/2088 of the European Parliament of 27 November 2019 on sustainability-related disclosures in the financial services sector), this Sub-fund is not covered by either Article 8 or by Article 9 of SFDR, and consequently forms part of the category of funds covered by Article 6.

The main criteria taken into consideration in investment decisions are macro-economic analysis, the analysis of capital flows and the relative valuation of the markets.

Sustainability risks (as defined in the SFDR and the definition for which is reproduced in the Risk Profile section below) are integrated by means of systematic exclusions that are based on the regulations in force and on those sectors and countries that are subject to international sanctions.

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company’s compliance department for any investment linked to issuers based in countries defined as “high-risk” with regard to money laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU’s lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

The Management Company has adopted a strict controversial weapons and sector exclusion policy, which can be found on its website.

The UCITS is not currently able to integrate the Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, owing to:

- a lack of available reliable data;
- use of derivative financial instruments for which the PAIs have not yet been integrated or defined.

## **Management of OECD government bonds:**

1. Active management of the portfolio’s exposure to global bond market risk (modified duration);
2. Allocation of the portfolio’s modified duration (positive or negative) as stipulated above among the four main OECD government bond markets (the United States for the dollar zone, Germany for the Europe zone, the United Kingdom and Japan) using relative value strategies (purchase of modified duration on certain markets, sale of modified duration on others);
3. Allocation of the modified duration (positive or negative) as allocated on the four bond markets stipulated above over their four main curve segments [1-3 years], [3-7 years], [7-15 years] and [15-30 years]: specific use of flattening, restructuring or lateral shift strategies on these curves;
4. Selection of the issuing country within the dollar zone (United States, Canada, Mexico, Australia and New Zealand) and the Europe zone (EMU member states, Norway, Sweden, Denmark, Iceland, Switzerland, Poland, Czech Republic and Hungary).

## **Management of OECD non-government bonds and non-OECD government and non-government bonds:**

1. Active management of exposure to the overall credit risk, up to a limit of 50% of the portfolio's net assets;
2. Allocation of the credit risk over the main segments of the credit market: investment-grade and speculative-grade debt, on the one hand, external and local debt of non-OECD countries, on the other;
3. Selection of issuers in each of these segments.

## **Currency management:**

- a. Strategic allocation in US dollars: purchase or sale of the US dollar against all other currencies;
- b. Relative allocation between the three main currency "blocs": European currency bloc (euro, pound sterling, Norwegian and Danish krone, Swedish and Icelandic krona, Swiss franc, Polish zloty, Czech koruna and Hungarian forint); yen bloc (Japanese yen and South Korean won); commodities bloc (where currency trends are linked to commodity prices: Canadian dollar, Australian dollar, New Zealand dollar and South African rand);
- c. Allocation within each bloc by buying and selling each of the currencies comprising the three blocs;
- d. Diversification among non-OECD market currencies.

## **2. Description of asset classes and forward financial instruments in which the Sub-fund intends to invest, and their contribution to the achievement of the management objective**

### **2.1 Assets used:**

- **Equities:**

As the Sub-fund is eligible for the PEA, at least 75% of its net assets are permanently invested in securities from issuers whose registered office is located in a European Union member state. At least 90% of the Sub-fund is permanently exposed to equity markets or similar markets or to rights associated with holding equities on the equity markets of European Union countries.

As part of this diversification, the Sub-fund may invest in small-cap and mid-cap equities and equities from emerging countries.

- **Bond market instruments:**

- up to 100% of net assets may be exposed to bonds issued or guaranteed by OECD Member States with no rating restrictions;
- up to 40% of net assets may be exposed to non-government bonds issued by companies whose registered office is located in an OECD country.

The Investment Manager relies on its teams and its own methodology to appraise credit risk.

In addition to this appraisal, the securities in question are subject to a minimum rating constraint corresponding to “Investment Grade” according to the Investment Manager’s criteria at the time of their acquisition (for example, BBB- according to the Standard & Poor’s or Fitch Ratings rating scale, or Baa3 according to Moody’s).

If the issue is rated simultaneously by the three agencies at the time of purchase, at least two of the three ratings must be “Investment Grade”. If the issue is rated by only two agencies, at least one of the two ratings must be “Investment Grade”. If the issue is rated by only one agency, the rating must be “Investment Grade”.

If an issue is unrated, the issuer’s rating will be taken into account.

Moreover, when the rating of an issue or issuer of a security already present in the portfolio deteriorates and falls below the minimum “Investment Grade” rating (equivalent to a minimum rating of AA according to Standard & Poor’s and Fitch Ratings or Aa2 according to Moody’s), the Investment Manager will assess the case for keeping the securities in the portfolio or disposing of them, whilst maintaining the interests of shareholders as the principal criterion.

In this category of OECD non-government bonds, up to 20% of net assets may be exposed to mortgage-backed securities or asset-backed securities (ABS – securitisation of portfolios of non-mortgage loans such as consumer credit, automobile credit and credit cards, and MBS – securitisation of mortgage loan portfolios).

The Investment Manager relies on its teams and its own methodology to appraise credit risk.

These securities may also be subject to a minimum rating constraint at the time of acquisition equivalent to:

- AA from Standard & Poor’s or Fitch Ratings,
- Aa2 from Moody’s,

or an equivalent rating in accordance with the Investment Manager’s analysis. If the issue is rated simultaneously by the three agencies at the time of purchase, at least two of the three ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated by only two rating agencies, at least one of the two ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated by only one agency, the rating must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If an issue is unrated, the issuer’s rating will be taken into account.

Moreover, when the rating of an issue or an issuer of a security already present in the portfolio deteriorates and falls below the minimum rating, the Investment Manager will assess the case for keeping the securities in the portfolio or disposing of them, whilst maintaining the interests of shareholders as the principal criterion.

Still within this limit of 20% of net assets exposed to mortgage-backed securities or asset-backed securities, up to 10% of the Sub-fund’s net assets may be exposed to ABS and MBS that are unrated upon issue or whose issuer is unrated upon issue.

- up to 10% of the net assets may be exposed to OECD corporate bonds rated “Speculative Grade” at the time of their acquisition and non-OECD government and corporate bonds with no rating restrictions, issued in G4 currencies (USD, EUR, GBP, JPY) or in local currencies.
- up to 10% of the net assets may be exposed to contingent convertible bonds.

- **Money market instruments:**

The Sub-fund’s cash position may be managed through the acquisition of money market instruments (treasury bills, annual interest treasury bills, commercial paper, Euro Commercial Paper and money market UCITS/Investment Funds or AIFs) and through repurchase agreements and deposits.

- **Currencies:**

The Sub-fund may be exposed to all currencies, both OECD and non-OECD, through both purchases and sales.

<b>Recap of the main limits for investment in equities and currencies</b>	
Investment in equities from countries in the European Union	Minimum 75% and maximum 100% of net assets
Exposure to equity markets	Exposure of between 90% and 110% of net assets
Exposure to equities not included in the STOXX Europe 600 NDR index	Maximum 10% of the net assets
Overall modified duration range	[-1.5; +1.5]
Exposure to OECD government bonds	Maximum 100% of the net assets
Exposure to OECD non-government bonds rated “Investment Grade” at purchase	Maximum 40% of the net assets
of which exposure to securitised bonds (ABS & MBS)	Maximum 20% of the net assets
Exposure to non-OECD government bonds or OECD non-government bonds rated “Speculative Grade” at purchase, or Non-OECD non-government bonds	Maximum 10% of the net assets

- **Specific instruments:**

#### **Shares or units in UCITS/AIFs/investment funds**

On an ancillary basis, up to 10% of the Sub-fund’s assets may be exposed to shares or units of the following UCITS/investment funds or AIFs, particularly money market UCITS/investment funds or AIFs:

UCITS under French law	X
UCITS under European Law	X
AIFs under French law that comply with Article R. 214-13 of the French Monetary and Financial Code	X
European AIFs that comply with Article R. 214-13 of the French Monetary and Financial Code	X

Investment funds under foreign law (outside Europe), which comply with Article R. 214-13 of the French Monetary and Financial Code	X
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*\* These UCITS/AIFs/investment funds may not themselves hold more than 10% of their assets in UCITS/AIFs/investment funds.*

The UCITS/investment funds or AIFs held by the Sub-fund may be managed by the Management Company or a legally affiliated company.

- **Derivatives:**

The investment process includes the use of financial contracts, whether conditional or otherwise, traded on regulated, organised or over-the-counter markets.

These are an alternative to bearer securities, especially in times of cash flow movement associated with subscriptions/redemptions or in specific circumstances such as major market fluctuations.

The Sub-fund's commitment to financial contracts will be managed in accordance with the ex ante indicative annual "Tracking Error" (TE) limit of 5%.

## TABLE OF DERIVATIVES

Type of instrument used	MARKET TYPE			RISK TYPE					OPERATION TYPE			
	Admission to regulated markets*	Organised markets	Over-the-counter markets	equities	interest rates	foreign exchange	credit	other risk(s) Liquidity, volatility and counterparty	Hedging	Exposure	Arbitrage	Other strategy(-ies)
<b>Futures on</b>												
<i>Equities</i>	X	X	X	X					X	X	X	X
<i>Interest rate</i>	X	X	X		X				X	X	X	X
<i>Exchange rate</i>	X	X	X			X			X	X	X	X
<i>Indexes</i>	X	X		X	X	X	X	X	X	X	X	X
<b>Options on</b>												
<i>Equities</i>	X	X	X	X				X	X	X	X	X
<i>Interest rate</i>	X	X	X		X			X	X	X	X	X
<i>Exchange rate</i>	X	X	X			X		X	X	X	X	X
<i>Indexes</i>	X	X	X	X	X	X	X	X	X	X	X	X
<b>Swaps</b>												
<i>Equities</i>			X	X				X	X	X	X	X
<i>Interest rate</i>			X		X			X	X	X	X	X
<i>Exchange rate</i>			X			X		X	X	X	X	X
<i>Indexes</i>			X	X	X	X	X	X	X	X	X	X
<b>Forward exchange</b>												
<i>currency(-ies)</i>			X			X		X	X	X	X	X
<b>Credit derivatives</b>												
<i>Credit default swap (CDS)</i>	X	X	X				X	X	X	X	X	X
<i>First-to-default</i>												
<i>First-loss credit default swap</i>												

\* See the Investment Manager's policy on order execution at [www.h2o-am.com](http://www.h2o-am.com).

The Sub-fund may enter into total return swaps (“TRS”) which seek to swap the performance of all or some of the assets held by the Sub-fund (and held by the Sub-fund’s depositary) for the performance of an index or an asset class listed in the section entitled “Description of asset classes and financial contracts”.

The maximum proportion of assets under management that may be used for TRS is 100% of the net assets. In a market environment where the investment perspective is neutral compared to the index, such transactions will involve a maximum of 100% of the Sub-fund's assets. Consequently, the Sub-fund will be neither underweighted nor overweighted by comparison with its index.

The counterparties to total return swaps are credit institutions or other entities that meet the criteria set out in the French Monetary and Financial Code and are selected by the Investment Manager in accordance with the counterparty selection procedure available on its website at the following address: [www.h2o-am.com](http://www.h2o-am.com).

The Investment Manager shall enter into such contracts with financial institutions that have their registered office in a Member State of the OECD and with a minimum rating that meets the requirements of the Investment Manager.

These transactions are systematically covered by a contract signed between the Investment Manager and the counterparty that defines the procedures for reducing counterparty risk.

Counterparties do not have any discretionary decision-making powers in respect of the composition or management of the Sub-fund’s investment portfolio or the assets underlying the derivative.

#### **Information relating to over-the-counter financial contracts**

Counterparties consist of leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available on request from the Investment Manager. These transactions are systematically covered by a contract signed between the UCITS and the counterparty that defines the procedures for reducing counterparty risk.

The counterparty/counterparties does/do not have any discretionary decision-making powers over the composition or management of the UCITS’ investment portfolio or the assets underlying the derivative.

- **Securities with embedded derivatives:**

The table below details the conditions that apply to the Sub-fund’s investment in securities with embedded derivatives.

**TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES**

<i>Type of instruments used</i>	RISK TYPE					OPERATION TYPE			
	Equities	Interest rate	Exchange rate	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other strategy(-ies)
<b>Warrants on</b>									
Equities	X					X	X	X	X
Interest rate		X				X	X	X	X
Exchange rate			X		X	X	X	X	X
Indexes	X	X	X	X	X	X	X	X	X
<b>Subscription warrants</b>									
Equities	X					X	X	X	X
Interest rate									X
Equity Linked	X					X	X	X	X
<b>Convertible bonds</b>									
Exchangeable bonds	X	X		X			X		X
Convertible bonds	X	X		X			X	X	X
Contingent convertible bonds	X	X		X			X		X
<b>Callable interest rate products</b>		X	X	X	X	X	X		X
<b>Puttable interest rate products</b>		X	X	X	X	X	X		X
<b>Structured MTNs / Structured EMTNs</b>									
Structured MTNs	X	X	X	X	X	X	X	X	X
Structured EMTNs	X	X	X	X	X	X	X	X	X
<b>Credit Linked Notes (CLN)</b>		X		X	X	X	X	X	X
<b>Other (to be specified)</b>									

- **Deposits:**

The Sub-fund may make deposits with a maximum term of twelve months. These deposits, which will enable the Sub-fund to manage all or part of its cash, contribute to the achievement of its management objective.

- **Cash and cash equivalents:**

The Sub-fund may hold cash and cash equivalents to the extent required for managing these flows.

- **Cash borrowings:**

The Sub-fund may borrow cash up to a limit of 10% of its assets if its cash account temporarily moves into a liability position as a result of its transactions (ongoing investments and divestments, subscription/redemption transactions, etc.).

- **Transactions involving temporary acquisition/disposal of securities:**

The Sub-fund may carry out temporary purchases or sales of securities (also known as securities financing transactions), up to a limit of 100% of its assets, in strict compliance with the Fund's PEA ratio.

<b>Types of transactions used</b>	
Repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Other	

<b>Types of operation, all of which must be limited to achieving the management objective</b>	
Cash management	X
Optimisation of the Sub-fund's earnings and performance	X
Other	

- **Information on the use of temporary sales and purchases of securities:**

The purpose of using temporary sales of securities is to obtain an additional return for the Sub-fund and therefore to contribute to its performance. Furthermore, the Sub-fund may enter into reverse repurchase agreements as part of the reinvestment of cash collateral and/or repurchase agreements to meet liquidity requirements.

Temporary purchases and sales of securities will be guaranteed pursuant to the principles set out under "Contracts constituting collateral" below.

Remuneration: further information is provided in the section on fees and commissions.

- **Contracts constituting collateral:**

In connection with the conclusion of financial contracts and/or securities financing transactions, the Sub-fund may receive/pay collateral in the form of a transfer of the full ownership of securities and/or cash.

Securities received as collateral must meet the criteria laid down by the regulations and must be granted by credit institutions or other entities that meet the legal, country and other financial criteria set out in the French Monetary and Financial Code.

The level of collateral and the discount policy are set by the Investment Manager's collateral eligibility policy in accordance with the regulations in force, and include the following categories:

- Cash collateral in various currencies according to a predefined list, such as the EUR and USD;
- Collateral as debt securities or equity securities on the basis of a specific classification.

The collateral eligibility policy explicitly defines the level of collateral required and the discounts applied to each type of collateral in accordance with rules that depend on their specific characteristics. In accordance with the regulations in force, it also specifies the rules for the diversification of risks, correlation, valuation, credit quality and regular stress tests on the collateral's liquidity.

In accordance with the conditions set out in the regulations, in the event that collateral is received in cash, it may only be:

- placed on deposit;
- invested in high-quality government bonds;
- used in reverse repurchase agreements;
- invested in short-term money market undertakings for collective investment (UCI).

Collateral other than in cash received may not be sold, reinvested or pledged as security.

In accordance with the valuation rules laid down in this prospectus, the Management Company will conduct a daily valuation of received collateral on a mark-to-market basis. Margin calls will be made on a daily basis.

The collateral received by the Sub-fund will be held by the Sub-fund's depositary or, failing that, by any third-party depositary that is subject to prudential supervision and that has no connection with the provider of the collateral.

The risks associated with securities financing transactions, financial contracts and the management of collateral are described in the risk profile section.

□ **TAXONOMY: (REGULATION EU 2020/852):**

The underlying investments of the Sub-fund do not take into account the EU criteria set out in the Taxonomy Regulation for environmentally sustainable economic activities.

□ **RISK PROFILE**

Your money will be mainly invested in financial instruments selected by the Management Company. These instruments will be subject to market trends and risks.

The net asset value may experience high variation due to the financial instruments included in the portfolio.

**Capital risk:** the Sub-fund offers no guarantee or protection. Therefore, the capital initially invested may not be repaid in full.

**Discretionary management risk:** the Sub-fund's discretionary management style relies on anticipating the development of the various equity and currency markets. Therefore, there is a risk that the Sub-fund may not be invested in the best-performing markets at all times.

**Equity risk:** this is the risk of a decrease in the value of shares and/or indices, which is associated with the portfolio's investment in shares and/or exposure to indices. If this risk occurs, it may lead to a fall in the Sub-fund's net asset value.

**Risk associated with small-cap and mid-cap companies:** the Sub-fund may invest in the equities of small-cap and mid-cap companies. The volume of these securities listed on the stock market is low, so market fluctuations are therefore more pronounced in both upward and downward directions and are more rapid than with large-capitalisation companies. The net asset value of the Sub-fund may be similarly affected.

**Overexposure risk:** as part of the method used to calculate commitment, risk budgets are determined for the various strategies. The Sub-fund will therefore have variable levels of exposure to the different types of risk described in this prospectus. The level of exposure depends in particular on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to fall faster and/or to a greater extent than the markets underlying these risks.

**Counterparty risk:** the Sub-fund may use over-the-counter financial contracts and/or engage in the temporary purchase and sale of securities. These transactions, entered into with one or more counterparties, potentially expose the Sub-fund to the risk of the default of one of these counterparties, which could cause them to default on payment.

**Risk associated with securitisation (ABS, MBS, RMBS, etc.):** the credit risk of securities issued via securitisation is largely determined by the quality of the underlying assets, which may vary in nature (bank debt, debt securities, etc.). These instruments are complex and may involve legal risks and specific risks linked to the characteristics of the underlying assets. Should these risks materialise, the Sub-fund's net asset value may fall.

**Risk associated with emerging market securities:** the securities of these countries may be difficult to trade or may even temporarily cease to be tradable, owing, in particular, to a lack of trading on the market or to regulatory restrictions. As a result, holding such securities may result in departures from the Sub-fund's normal operation in accordance with the UCITS' articles of association and if the interests of investors so dictate. Moreover, since downward movements on emerging markets may be faster and more pronounced than on developed markets, the net asset value may fall more sharply and rapidly.

**Risks associated with investing in "contingent convertibles":** the Sub-fund may invest in subordinated debt known as "contingent convertibles", which are fixed income securities that include either an equity conversion option or a security depreciation option, which is exercised if the issuer's level of capital falls below a predetermined threshold. In addition to the credit risk and interest rate risk inherent in bonds, the activation of this option may cause the Sub-fund's net asset value to fall more significantly than it would if the Sub-fund was invested in other conventional bonds from the same issuer.

**Arbitrage risk:** arbitrage is a technique that takes advantage of price differences observed (or expected) between markets and/or sectors and/or securities and/or currencies and/or instruments. In the event of an unfavourable outcome in such arbitrage transactions (false expectations: rises in the case of sales transactions and/or falls in the case of purchase transactions), the net asset value of the Sub-fund may fall.

**Currency risk:** this is the risk of a fall in the base currency of the Sub-fund's shares or that of the markets in which the Sub-fund is invested in relation to the currency of the investor's country. This is also the risk of a fall in the investment currencies against the euro, the portfolio's reference currency. If a currency falls against the euro, the net asset value may fall.

**Volatility risk:** this is the risk of a drop in net asset value caused by a rise or fall in volatility which is decorrelated from the performance of traditional bearer securities markets. Should volatility adversely affect the strategies implemented, the net asset value will drop.

If the Sub-fund is purchasing options and implicit volatility drops, the Sub-fund's net asset value will fall.

If the Sub-fund is selling options and implicit volatility increases, the Sub-fund's net asset value will fall.

**Credit risk:** this is the risk of a variation in credit spreads arising from a deterioration in the quality of the issuer or a default by one or more issuers present in the portfolio. Depending on the direction of the Sub-fund's transactions, a decrease (in the event of a purchase) or an increase (in the event of a sale) in the value of the debt securities to which the Sub-fund is exposed may lead to a decrease in its net asset value.

**Interest rate risk:** this is the risk of a fall in the value of interest rate instruments due to fluctuations in interest rates.

**Risk associated with temporary purchases and sales of securities, total return swaps (TRS) and the management of collateral:** temporary purchases and sales of securities and total return swaps (TRS) are likely to create risks for the Sub-fund, such as the counterparty risk defined above. The management of collateral may create risks for the Sub-fund, such as liquidity risk (i.e. the risk that a security received as collateral is not sufficiently liquid and cannot be sold quickly in the event that the counterparty defaults) and, where applicable, risks related to the reuse of cash collateral (i.e. primarily the risk that the Sub-fund is unable to reimburse the counterparty).

**Sustainability risk:** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

□ **TARGET SUBSCRIBERS AND TYPICAL INVESTOR PROFILE:**

The Sub-fund is intended for all subscribers, particularly those holding a *Plan d'Épargne en Actions* (PEA) [Equity Savings Plan].

R/C (EUR) shares are primarily aimed at private individuals.

I/C (EUR) and SI/C (EUR) shares are primarily aimed at institutional investors.

N/C (EUR) shares are primarily aimed at private individuals investing through distributors, financial advisers, platforms or other intermediaries.

The Sub-fund is aimed at investors seeking performance linked to that of the international equity markets over an investment period of at least the minimum recommended investment period.

The minimum recommended investment period is five years.

Subscribers residing in the territory of the United States of America are not permitted to subscribe to this UCITS.

In accordance with applicable EU regulations<sup>2</sup> introduced on 12 April 2022, and for as long as these remain in force, subscribers (natural persons and legal entities) of Russian or Belarusian nationality and/or residing or established in Russia or Belarus are not permitted to subscribe to this UCITS, without prejudice to any exceptions set out in these regulations

The amount that might reasonably be invested in the Sub-fund depends on the individual circumstances of each investor. In determining this, the potential investor must take into account his/her personal assets, all applicable regulations, his/her current and future needs over the period of the recommended investment, as well as the level of risk to which he/she wishes to be exposed.

We strongly recommend that potential investors ensure their investments are sufficiently diversified and not exposed solely to the risks of this Sub-fund.

□ **PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE INCOME:**

R(C), I(C), SI(C) and N(C) shares are accumulation shares.

□ **SHARE FEATURES:**

Share classes	ISIN code	Base currency	Splitting of shares	Minimum initial investment	Minimum subsequent investment
<b>SI/C (EUR)</b>	FR0013410040	EUR	Ten-thousandths	EUR 1,000,000	One ten-thousandth of a share
<b>I/C (EUR)</b>	FR0013410057	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a share
<b>R/C (EUR)</b>	FR0013410065	EUR	Ten-thousandths	EUR 1	One ten-thousandth of a share
<b>N/C (EUR)</b>	FR0013410073	EUR	Ten-thousandths	EUR 1	One ten-thousandth of a share

□ **SUBSCRIPTION AND REDEMPTION PROCEDURES:**

Subscription and redemption orders are centralised at 12:30 pm on each net asset value calculation day (D). These orders are executed on the basis of the net asset value established on D and calculated on D+1 working day.

<sup>2</sup> As at 1 June 2022, Regulation (EU) 833/2014, as amended, Regulation (EU) 398/2022 and Council Decision 2022/579.

Investors intending to purchase shares and holders wishing to redeem shares are requested to contact their normal marketing agent directly with regard to the deadline for the receipt of their subscription or redemption applications, as this may be prior to the aforementioned clearing deadline.

Orders are executed in accordance with the table below:

D	D	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Clearing before 12.30 p.m. CET for subscription orders <sup>1</sup>	Clearing before 12.30 p.m. CET for redemption orders <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution.

□ **DATE AND FREQUENCY OF NET ASSET VALUE CALCULATION:**

The net asset value is calculated on every Euronext Paris trading day, with the exception of French official public holidays.

The net asset value may be obtained from the Management Company:

H2O AM EUROPE  
39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France.  
Website: [www.h2o-am.com](http://www.h2o-am.com)

□ **FEES AND COMMISSIONS:**

**Subscription and redemption fees:**

Subscription and redemption fees increase the subscription price paid by the investor or reduce the redemption price. The fees accruing to the Sub-fund serve to offset the costs borne by the Sub-fund in investing and divesting investors' assets. Remaining fees are paid back to the management company, marketing agent, etc.

<b>Fees charged to the investor, payable at the time of subscription or redemption</b>	<b>Base</b>	<b>Rate scale</b>
Maximum subscription fee not payable to the Sub-fund	Net asset value X Number of shares	<b><u>R/C (EUR) and N/C (EUR) shares:</u></b> maximum 2% <b><u>S/I/C (EUR) and I/C (EUR) shares:</u></b> Maximum 1%
Subscription fee payable to the Sub-fund	Net asset value X Number of shares	None
Maximum redemption fee not payable to the Sub-fund	Net asset value X Number of shares	None
Redemption fee payable to the Sub-fund	Net asset value X Number of shares	None

Fees charged to the Sub-fund:

These fees cover:

- Financial management fees;
- Operating expenses and other services;
- Indirect maximum charges (management fees and commissions) for UCITS that invest over 20% in other UCITS, AIFs or investment funds;
- Performance fees.

<b>Fees charged to the Sub-fund</b>	<b>Base</b>	<b>Rate scale</b>
Financial management fees	Net assets	<p><b><u>Maximum rate</u></b></p> <p><b><u>SI/C (EUR) shares:</u></b> Maximum 0.75% incl. tax</p> <p><b><u>I/C (EUR) shares:</u></b> Maximum 0.95% incl. tax</p> <p><b><u>N/C (EUR) shares:</u></b> Maximum 1.05% incl. tax</p> <p><b><u>R/C (EUR) shares:</u></b> Maximum 1.90% incl. tax</p>
Operating expenses and other services	Net assets	<p><b><u>Maximum rate</u></b></p> <p>0.15% incl. tax for all shares</p>
Performance fee	None	None
Transaction commissions	Deducted from each transaction or operation, allocated proportionately between beneficiaries	None

In particular, external distributors and delegated financial managers may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees.

The following costs may be added to the fees charged to the UCITS and shown above:

- Exceptional and non-recurring debt recovery costs (e.g. Lehman Brothers proceedings) or costs to enforce a right (e.g. class action proceedings).  
Information on these fees is also described ex post in the annual report of the UCITS.

The operating expenses and other services correspond to the internal or external fees of the Management Company relating to:

#### I. UCI registration and benchmarking fees

- All costs related to the registration of the UCI in other Member States (including costs charged by advisers (lawyers, consultants etc.) for carrying out marketing procedures with the local regulator on behalf of the portfolio management company);
- UCI listing fees and publication of net asset values for investor information;
- Distribution platform fees (excluding retrocessions); agents in foreign countries involved in distribution: local transfer agent, paying transfer agent, facility agent etc.

#### II. Customer and distributor information costs

- Costs of compiling and distributing regulatory documentation and reports;
- Costs related to the disclosure of regulatory information to distributors;
- Provision of information to unitholders by any means (publication in the press, other);
- Information specific to direct and indirect unitholders: letters to unitholders etc.;
- Website administration costs;
- Translation fees specific to the UCI.

### III. Data charges

- Licensing costs of the benchmark index used by the UCI;
- Costs of data used for redistribution to third parties (e.g. reuse of issuer ratings, index compositions, data etc.) ;
- Costs arising from specific client requests (e.g. a request to add two specific non-financial indicators to the reporting as requested by the client);
- Data charges for single products that cannot be amortised over several portfolios. Example: an impact fund requiring specific indicators;
- Audit fees and label promotion costs (e.g. SRI label, Greenfin label).

### IV. Custodian, legal, audit, tax fees etc.

- Statutory auditors' fees;
- Fees related to the custodian;
- Fees related to account-holders;
- Fees related to the delegation of administrative and accounting management;
- Audit fees;
- Tax expenses including lawyers and external experts (recovery of withholding taxes on behalf of the Fund, local tax agent etc.);
- Legal fees specific to the UCI;
- Guarantee fees;
- Costs of creating a new Sub-fund that can be amortised over five years.

### V. Fees related to compliance with regulatory obligations and regulatory reporting

- Costs of preparing regulatory reports for the regulator that are specific to the UCI (MMF reporting, AIFM, ratio overruns etc.);
- Mandatory professional association contributions;
- Contributions due for the management of this UCITS pursuant to 4° of II of Article L. 621-5-3 of the French Monetary and Financial Code;
- Exceptional and non-recurring taxes, fees and governmental duties (in relation to the UCITS);
- Operating fees for monitoring threshold crossings;
- Operating fees for the deployment of voting policies at Shareholders' Meetings.

### VI. Operating expenses

- Fees for compliance monitoring and control of investment restrictions where such restrictions arise from specific customer requests and are specific to the UCI.

### VIII. Fees related to customer knowledge

- Operating expenses for customer compliance (due diligence and creation/updating of customer files).

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

**Information on remuneration generated by temporary purchases and sales of securities:**

All remuneration from these transactions is retained in full by the Sub-fund.

**Brief description of the selection procedure for intermediaries:**

The Investment Manager has implemented a selection and assessment procedure for intermediaries, which takes into account such objective criteria as quality of research, commercial monitoring and execution. This procedure is available at [www.h2o-am.com](http://www.h2o-am.com).

### III COMMERCIAL INFORMATION

□ **DISSEMINATION OF INFORMATION CONCERNING THE UCITS – INFORMATION PROCEDURES FOR SHAREHOLDERS:**

**DISTRIBUTION OF THE PROSPECTUS AND ANNUAL AND INTERIM DOCUMENTS**

- These documents will be sent to shareholders upon written request to:

H2O AM EUROPE

39 Avenue Pierre 1er de Serbie, 75008 Paris, France.

Email: [info@h2o-am.com](mailto:info@h2o-am.com)

- These documents will be sent within eight business days.
- These documents are also available online at [www.h2o-am.com](http://www.h2o-am.com).
- Further information can be obtained from the marketing agents' branches.

**INFORMATION ON THE NET ASSET VALUE**

The net asset value can be obtained from H2O AM EUROPE, from the marketing agents' branches and at [www.h2o-am.com](http://www.h2o-am.com).

**COMMERCIAL DOCUMENTATION**

Commercial documentation is made available online to investors and subscribers in the Sub-fund at [www.h2o-am.com](http://www.h2o-am.com).

**NOTIFICATION OF CHANGES TO THE SUB-FUND'S OPERATING PROCEDURES**

Shareholders will be informed of any changes concerning the Sub-fund in accordance with the procedures drawn up by the French Financial Markets Authority, the *Autorité des Marchés Financiers*.

If applicable, this information may be provided via Euroclear France and its associated financial intermediaries.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA:**

Information on the procedures for taking account of criteria relating to compliance with environmental, social and governance (ESG) quality objectives can be found in the annual reports of the relevant UCITS and on the Management Company's website.

### IV INVESTMENT RULES

The UCITS complies with the investment rules for UCITS as stipulated by the French Monetary and Financial Code.

### V OVERALL RISK

The calculation method used by the Sub-fund is the relative Value-at-Risk method.

The Sub-fund's VaR is limited to twice that of its benchmark index.

The indicative average leverage for the Sub-fund is 4. However, the Sub-fund may reach a higher level of leverage. The indicative leverage for the Sub-fund is equal to the sum of the nominal positions on the financial contracts that are used.

## VI ASSET VALUATION AND ACCOUNTING RULES

### **A) Asset valuation rules**

#### **I - Securities portfolio**

The Management Company has delegated accounting management (including the valuation of the Sub-fund's portfolio) to CACEIS FUND ADMINISTRATION.

The Sub-fund's portfolio is valued each time the net asset value is calculated and when the accounts are closed, at the closing price.

The Sub-fund's annual accounts are drawn up on the basis of the final net asset value for the financial year.

The Sub-fund complies with the accounting rules and methods prescribed by current regulations and with the UCITS chart of accounts, which, on the prospectus publication date, are as follows:

#### **Equities**

French shares are valued on the basis of the latest quoted price in the case of securities admitted to a deferred settlement system or a spot market.

Foreign equities are valued on the basis of the latest price on the Paris stock exchange, if the securities are listed in Paris, or on the first trading day of their main market, converted into euros in accordance with the WMR rate for the currency on the valuation date.

#### **Bonds**

Bonds are valued on the basis of a Bloomberg composite rating retrieved at 5.00 p.m. (Paris time) in accordance with the WMR rate for the currency on the day of valuation.

#### **Transferable securities**

Transferable securities for which the price has not been recorded on the valuation date or has been adjusted are valued by the Management Company at their likely trading value.

In the case of transferable securities that are not listed or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the management company adjusts its valuation on the basis of variations that seem likely in view of current events. The statutory auditor is informed of these valuations and the justifications for them during their audit.

Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date.

### **UCITS/AIFs and Investment funds**

Units or shares of UCITS or AIFs or investment funds are valued at the last known net asset value. Foreign undertakings for collective investment that carry out valuations at times that are incompatible with the calculation of the Sub-fund's net asset value are valued on the basis of estimates supplied by the administrators of the undertakings, under the supervision and responsibility of the Management Company.

### **Money market instruments:**

Money market instruments are valued in accordance with the following rules:

- French fixed-rate bills (Bons du Trésor à taux fixe – BTFs) are valued on the basis of an average of contributed prices obtained from market makers;
- Unlisted variable-rate money market instruments are valued at cost price, adjusted to take into account any potential variations in credit spreads;
- Other fixed-rate money market instruments (certificates of deposit, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

In the absence of an incontestable market price, money market instruments are valued by applying a yield curve, adjusted, if necessary, by a margin calculated on the basis of the characteristics of the security (of the issuer).

However, negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method.

### **Repurchase and reverse repurchase agreements**

Repurchase and reverse repurchase agreements on securities are valued at the contract price, adjusted for any margin calls (valued in accordance with the conditions set out in the contract). For unlisted transferable securities or those for which the price is not reported on the valuation date, as well as other balance sheet items, the Board of the Management Company adjusts the valuation on the basis of variations that are likely in view of current events.

Certain fixed-rate transactions with a maturity of over three months may be valued at the market price.

## **2 Futures and options transactions**

### **Organised futures and options markets**

The derivatives listed on an organised market are valued on the basis of the settlement price.

### **Swaps**

Asset swaps are valued at market price, based on the issuer's credit spread, as indicated by the market makers. In the absence of a market maker, the spreads will be obtained by any means from the available contributors.

Asset swaps with a maturity of three months or less may be valued using the straight-line method.

Other swaps are valued at market price based on yield curves.

Complex instruments such as CDS, SES and complex options are valued according to their type using an appropriate method.

### **Forward exchange contracts**

These are valued at the exchange rate for the currencies on the valuation date, allowing for the amortisation of the carry-forward/discount.

They may be valued at market price based on forward foreign exchange curves.

### **3 Off-balance sheet commitments**

Off-balance sheet commitments are valued as follows:

#### **A) Commitments on futures markets:**

##### **1) Futures:**

Commitment = closing price x nominal contract value x quantities.

With the exception of commitments under the Euribor contract traded on LIFFE, which are recorded at their nominal value.

##### **2) Swap commitments:**

###### **a) Interest rate swaps**

- Interest rate swaps with a maturity of three months or less

Backed: nominal value + accrued interest (interest differential)

Non-backed: nominal value + accrued interest (interest differential)

- Interest rate swaps with a maturity exceeding three months

###### Backed:

° Fixed-rate/variable rate

- valuation of the fixed-rate portion at the market price

° Variable rate/fixed rate

- appraisal of the variable-rate portion at market price

###### Non-backed:

° Fixed-rate/variable rate

- valuation of the fixed-rate portion at the market price

° Variable rate/fixed rate

- appraisal of the variable-rate portion at market price

###### **b) Other swaps**

These will be valued at their market value.

#### **B) Commitments on options markets:**

Commitment = quantity x nominal contract value (portion) x price of underlying x delta.

### **4 Currencies**

Foreign currency prices are converted into euros in accordance with the WMR rate (4.00 p.m. London time) for the currency on the day of valuation.

## **5 Unlisted financial instruments and other securities**

- Financial instruments for which the price has not been recorded on the valuation date are valued at the most recent officially published price or at their likely trading value, under the responsibility of the Management Company;
- Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date;
- Financial instruments not traded are valued at their likely trading value, under the responsibility of the Management Company;
- Other financial instruments are appraised at their market value as calculated by the counterparties, under the supervision and responsibility of the Management Company.

The valuations of unlisted financial instruments and the other securities referred to in this paragraph, together with the justifications for them, are communicated to the statutory auditor during their audits.

## **B Accounting methods**

Income is recorded on a cash accounting basis.

Trading fees are recorded in the Sub-fund's specific accounts and are not added to the price.

The Weighted Average Cost Price method is used for the settlement of securities. For derivative products, however, the FIFO (First In, First Out) method is used.

Additions to the portfolio are recorded at their acquisition price excluding fees, and disposals are recorded at their sale price excluding fees.

## **VII REMUNERATION**

Details of the remuneration policy are available at [www.h2o-am.com](http://www.h2o-am.com).

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## **SUB-FUND: H2O EuroSovereign**

### □ **ISIN CODES**

<b><u>Equities</u></b>	<b><u>ISIN code</u></b>
<b>I/C (EUR)</b>	FR0013410867
<b>S/I/C (EUR)</b>	FR0013410875
<b>R/C (EUR)</b>	FR0013410891
<b>N/C (EUR)</b>	FR0013410883

### □ **CLASSIFICATION**

Bonds and/or debt securities denominated in euros.

### □ **HOLDING OF UNITS OR SHARES OF UCIs (UCITS OR AIFs) OR INVESTMENT FUNDS**

The Sub-fund may invest up to 10% of its net assets in units or shares of UCIs or investment funds.

### □ **MANAGEMENT OBJECTIVE**

The Sub-fund aims to outperform the Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR benchmark (Bloomberg ticker: LEATTREU).

### □ **BENCHMARK INDEX**

The benchmark is the Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR.

The Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR index is composed of Investment Grade government bonds issued by the 19 countries in the Eurozone.

The supplier of the Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR index is Bloomberg Index Services Limited, whose website is: [www.bloomberg.com](http://www.bloomberg.com).

The administrator of the benchmark index is recorded on the register of administrators and benchmark indices held by ESMA.

It must be noted that as the management of the Sub-fund is not index-based, the Sub-fund's performance may potentially differ considerably from that of its benchmark index.

### □ **INVESTMENT STRATEGY**

#### **1. Description of the strategies employed**

The Sub-fund's investment strategy aims to outperform the index over a three-year investment horizon by investing in European government bonds (Eurozone, Nordic, Central Europe), solely denominated in euros.

This performance objective will be sought in line with a maximum ratio of 2 between the estimated ex ante Value-at-Risk (VaR) at 20 days with a confidence interval of 99%, the Sub-fund and that of the benchmark.

Management targets an indicative average annual ex ante Tracking Error (TE) of [2%; 4%]. The overall modified duration of the portfolio falls within a range from +3 to +13.

The investment strategy is based on a top-down approach and relies in particular on macroeconomic analysis, an analysis of capital flows and relative market valuation of the various European sovereign bond markets (including bonds issued and/or guaranteed by the European Union or one of its institutions).

The Sub-fund is actively managed and derives its performance from the following strategies:

- 1) Active management of the portfolio's total modified duration within a range of +3 to +13;
- 2) Country allocation: arbitrage of the various European sovereign interest rate curves;
- 3) Curve sector allocation: arbitrage of curve segments of European sovereign rates;
- 4) Choice of instruments (securities, derivatives).

#### **SFDR:**

With reference to the regulation known as the “SFDR Regulation” (Regulation (EU) 2019/2088 of the European Parliament of 27 November 2018 on sustainability-related disclosures in the financial services sector), this Sub-fund is not covered by either Article 8 or by Article 9 of SFDR, and consequently forms part of the category of funds covered by Article 6.

The main criteria taken into consideration in investment decisions are macro-economic analysis, the analysis of capital flows and the relative valuation of the markets.

Sustainability risks (as defined in the SFDR and the definition for which is reproduced in the Risk Profile section below) are integrated by means of systematic exclusions that are based on the regulations in force and on those sectors and countries that are subject to international sanctions.

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company's compliance department for any investment linked to issuers based in countries defined as “high-risk” with regard to money laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU's lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

The Management Company has adopted a strict controversial weapons and sector exclusion policy, which can be found on its website.

The UCITS is not currently able to integrate the Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, owing to:

- a lack of available reliable data;
- use of derivative financial instruments for which the PAIs have not yet been integrated or defined.

**2. Description of asset classes and financial contracts in which the Sub-fund intends to invest and their contribution to the achievement of the management objective**

**2-1. Debt securities, equivalent securities and financial instruments**

**Bond market instruments:**

- up to 100% of the net assets in bonds, exclusively denominated in euros, issued or guaranteed by the European Union (or one of its institutions) and/or Member States of the eurozone and, on an ancillary basis, by those of the Nordic and Central European countries;
- non-European bonds: 0%;
- non-government bonds: 0%;
- collateralised bonds (ABS and MBS): 0%.

**Money market instruments:**

The Sub-fund’s cash position is managed through the acquisition of money market instruments (treasury bills, annual interest treasury bills, Commercial Papers, Euro Commercial Papers and short-term variable and standard net asset value money market UCITS/AIFs) and through reverse repurchase agreements and deposits.

**2-2. Currencies**

The Sub-fund is only exposed to the euro. The Sub-fund may only acquire bond securities denominated in euros. As such, the Sub-fund does not bear any currency risk.

**2-3. Equities**

There will be no investment in equities.

<b>Recap of the main limits for investment in bonds (<i>ratings applicable at time of purchase</i>)</b>	
Overall modified duration range	[+3; +13]
Geographical region of issuers*	Europe
Base currency of securities	Euro exclusively
Currency risk borne*	0%

\*Calculations based on a % of the Sub-fund’s net assets

**2-4. Specific instruments: shares/units of investment funds**

The Sub-fund may hold units or shares of UCITS, UCIs or investment funds, subject to a limit of 10% of its assets:

UCITS under French law*	X
UCITS under European law*	X
AIFs under French law which comply with Article R. 214-13 of the French Monetary and Financial Code*	X
European AIFs which comply with Article R. 214-13 of the French Monetary and Financial Code*	X
Investment funds under foreign law which comply with Article R. 214-13 of the French Monetary and Financial Code*	

*\*These UCITS/AIFs/investment funds may not hold more than 10% of their assets in UCITS/AIFs/investment funds.*

The UCITS or UCIs held by the Sub-fund may be managed by the Management Company or a legally affiliated company.

## **2-5. Derivatives**

The investment process includes the use of forward financial instruments, whether conditional or otherwise, traded on regulated, organised or over-the-counter markets.

These are an alternative to bearer securities, especially in times of cash flow movement associated with subscriptions/redemptions or in specific circumstances such as major market fluctuations.

The table below details the Sub-fund's operating conditions regarding derivatives.

## TABLE OF DERIVATIVES

Type of instruments used	MARKET TYPE			RISK TYPE				OPERATION TYPE				
	Admission to regulated markets*	Organised markets	Over-the-counter markets	Share	Interest rates	Foreign exchange	Credit	Other risk(s)	Hedging	Exposure	Transfer	Other strategy(-ies)
<b>Forward contracts (futures) on</b>												
Equities												
Interest rates	X	X			X				X	X	X	
Foreign exchange												
Indices	X	X			X				X	X	X	
<b>Options on</b>												
Equities												
Interest rates	X	X	X		X				X	X	X	
Foreign exchange												
Indices	X	X	X		X				X	X	X	
<b>Swaps</b>												
Equities												
Interest rates			X		X				X	X	X	
Foreign exchange												
Indices			X		X							
<b>Forward foreign exchange</b>												
Currency(-ies)			X		X				X			
<b>Credit derivatives</b>												
Credit default swap (CDS)												
First-to-default												
First-loss credit default swap												

\* Please see the Investment Manager's order execution policy at [www.h2o-am.com](http://www.h2o-am.com).

The Sub-fund may enter into total return swaps (TRS) which seek to swap the performance of all or some of the assets held by the Sub-fund (and held by the Sub-fund's depositary) for the performance of an index or an asset class listed in the section entitled "Description of asset classes and financial contracts".

The maximum proportion of assets under management that may be used for TRS is 50% of the net assets. Under normal market conditions, the Investment Manager expects such transactions to involve up to 25% of the Sub-fund's net assets.

The counterparties to total return swaps are credit institutions or other entities that meet the criteria set out in the French Monetary and Financial Code and are selected by the Investment Manager in accordance with the counterparty selection procedure available on its website at the following address: [www.h2o-am.com](http://www.h2o-am.com). The Investment Manager shall enter into such contracts with financial institutions that have their registered office in a Member State of the OECD and with a minimum rating that meets the requirements of the Investment Manager.

These transactions are systematically covered by a contract signed between the Investment Manager and the counterparty that defines the procedures for reducing counterparty risk.

Counterparties do not have any discretionary decision-making powers in respect of the composition or management of the Sub-fund's investment portfolio or the assets underlying the derivative.

#### **2-6. Information relating to over-the-counter financial contracts**

Counterparties consist of leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available on request from the Investment Manager. These transactions are systematically covered by a contract signed between the UCITS and the counterparty that defines the procedures for reducing counterparty risk.

The counterparty/counterparties does/do not have any discretionary decision-making powers over the composition or management of the UCITS' investment portfolio or the assets underlying the derivative.

All these instruments will be used to hedge and/or expose the Sub-fund's portfolio against interest rate risk and/or to hedge the portfolio against currency risk.

#### **2-7. Securities with embedded derivatives**

The Sub-fund will not invest its assets in securities with embedded derivatives.

#### **2-8. Deposits**

The Sub-fund may make deposits in compliance with the French Monetary and Financial Code, of a maximum term of twelve months. These deposits, which will enable the Sub-fund to manage all or part of its cash, help to achieve its management objective.

#### **2-9. Cash and cash equivalents**

The Sub-fund may hold cash and cash equivalents on an ancillary basis.

#### **2-10. Cash borrowings**

The Sub-fund may borrow cash up to a limit of 10% of its assets and only on a temporary basis.

#### **2-11. Temporary purchases and sales of securities**

The Investment Manager may carry out temporary purchases or sales of securities (also known as securities financing transactions), up to a limit of 100% of the assets. It is expected that 50% of the assets under management will be subject to securities financing transactions.

<b>Types of transactions used</b>	
Repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Other	

<b>Types of transactions, all of which must be limited to achieving the management objective</b>	
Cash management	X
Optimisation of the Sub-fund's earnings and performance	X
Other	

## **2-12. Information on the use of temporary purchases/sales of securities**

The purpose of using temporary sales of securities is to obtain an additional return for the UCITS and therefore to contribute to its performance. Furthermore, the UCITS may enter into reverse repurchase agreements as part of the reinvestment of cash collateral and/or into repurchase agreements to meet liquidity needs.

## **2-13. Contracts constituting collateral**

In connection with the conclusion of financial contracts and/or securities financing transactions, the Sub-fund may receive/pay collateral in the form of a transfer of the full ownership of securities and/or cash.

Securities received as collateral must meet the criteria laid down by the regulations and must be granted by credit institutions or other entities that meet the legal, country and other financial criteria set out in the French Monetary and Financial Code.

The level of collateral and the discount policy are set by the Investment Manager's eligibility policy for collateral in accordance with the regulations in force, and include the following categories:

- ✓ Cash collateral in various currencies according to a predefined list;
- ✓ Collateral as debt or equity securities on the basis of a specific designation.

The eligibility policy for collateral explicitly defines the level of collateral required and the discounts applied to each type of collateral on the basis of rules that depend on their specific characteristics. In accordance with the regulations in force, it also specifies the rules for the diversification of risks, correlation, valuation, credit quality and regular stress tests on the collateral's liquidity.

In accordance with the conditions set out in the regulations, in the event that collateral is received in cash, it may only be:

- placed on deposit;
- invested in high-quality government bonds;
- used in reverse repurchase agreements;
- invested in short-term variable net asset value money market undertakings for collective investment (UCI).

Collateral other than in cash received may not be sold, reinvested or pledged as security.

In accordance with the valuation rules laid down in this prospectus, the Management Company will conduct a daily valuation of collateral received on a mark-to-market basis. Margin calls will be made on a daily basis.

The collateral received by the Sub-fund will be held by the Sub-fund's depository or, failing that, by any third-party depository that is subject to prudential supervision and that has no connection with the provider of the collateral.

The risks associated with securities financing transactions, financial contracts and the management of inherent collateral are described in the risk profile section.

□ **TAXONOMY: (REGULATION EU 2020/852)**

The underlying investments of the Sub-fund do not take into account the EU criteria set out in the Taxonomy Regulation for environmentally sustainable economic activities.

□ **RISK PROFILE**

Your money will be mainly invested in financial instruments selected by the Management Company. These instruments will be subject to market trends and risks.

The net asset value may vary by significant amounts due to the financial instruments included in the portfolio. This means that you may not get back all the capital you invested and this applies equally for investments made for the recommended investment period.

**Risk of capital loss:** the risk of capital loss results from selling a share for less than the purchase price paid.

The Sub-fund offers no guarantee or protection, so you may not get back the full amount of your initial investment.

**Risks associated with classification**

**Interest rate risk:** the Sub-fund may carry interest rate risk, as the duration of the portfolio modified to the Sub-fund's interest rates is between +3 and +13. Accordingly, its net asset value may fall in a period of rising rates. Moreover, the higher the Sub-fund's modified duration (variation percentage of the net asset value when rates change by 1%), the higher the interest rate risk to which the Sub-fund is exposed, and vice versa. Because of its investment strategy, the Sub-fund is subject to a greater interest rate risk, its modified duration potentially going up to 13.

**Credit risk:** credit risk involves the risk that the economic or financial situation of an issuer may deteriorate, leading to a decline in the value of the issuer's security and therefore a fall in the net asset value of the Sub-fund.

Investments are made in securities issued and/or guaranteed by European countries including those that are eurozone Member States, and/or in units or shares of UCIs invested in sovereign securities.

**Risk associated with inflation:** a portion of the Sub-fund's portfolio may be invested in inflation-indexed bonds. If inflation anticipated for future years were to fall, the value of inflation-indexed bonds may also fall, which could lead to a decline in the Sub-fund's net asset value.

**Discretionary management risk:** the Sub-fund's discretionary management style relies on anticipating the development of the various bond markets. Therefore, there is a risk that the Sub-fund may not be invested in the best-performing markets at all times.

**Risk associated with exposure:** as part of the method used to calculate commitment, risk budgets are determined for the various strategies. The Sub-fund will therefore have variable levels of exposure to the different types of risk described in this prospectus. The level of exposure depends in particular on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to fall faster and/or to a greater extent than the markets underlying these risks.

**Risk taken in relation to the benchmark:** the risk that the Sub-fund's performance may deviate from that of its benchmark. In accordance with the "Strategies employed" section, risks may be taken with regard to the benchmark in order to achieve the management objective, which may result in the Sub-fund underperforming its benchmark.

**Counterparty risk:** the Sub-fund uses forward financial instruments, over-the-counter instruments and/or temporary purchases and sales of securities. These transactions, entered into with one or more eligible counterparties, potentially expose the Sub-fund to the risk of one of these counterparties defaulting, which may cause them to default on payment.

The use of derivatives is likely to increase or limit interest rate risk and credit risk, within the limits described above and in the "Investment strategy" section.

If this risk occurs, it may lead to a fall in the Sub-fund's net asset value.

**Arbitrage risk:** arbitrage is a technique that takes advantage of price differences observed (or expected) between markets and/or sectors and/or securities and/or currencies and/or instruments. In the event of an unfavourable outcome in such arbitrage transactions (false expectations: rises in the case of sales transactions and/or falls in the case of purchase transactions), the net asset value of the UCITS may fall.

**Liquidity risk:** the liquidity risk present in the Sub-fund represents the fall in price that the UCITS could potentially have to accept in order to sell certain assets for which there is insufficient market demand.

**Risk associated with temporary purchases and sales of securities, total return swaps (TRS) and the management of collateral:** temporary purchases and sales of securities and total return swaps (TRS) are likely to create risks for the Sub-fund such as the counterparty risk defined above. The management of collateral may create risks for the Sub-fund, such as liquidity risk (i.e. the risk that a security received as collateral is not sufficiently liquid and cannot be sold quickly in the event that the counterparty defaults) and, where applicable, risks related to the reuse of cash collateral (i.e. primarily the risk that the Sub-fund is unable to reimburse the counterparty).

**Sustainability risk:** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

These various risks may lead to a fall in the net asset value of the Sub-fund.

□ **TARGET SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

The Sub-fund is for all subscribers.

R shares are primarily aimed at private individuals.

I and SI shares are primarily aimed at institutional investors.

The N share is open to all subscribers, specifically intended for private individuals who invest through distributors, financial advisers, platforms or other intermediaries (collectively, “Intermediaries”) under a separate contract or a fee-based contract between the investor and an intermediary.

The Sub-fund is aimed at expert investors with the objective of outperforming (net of charges and year-on-year) the Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR net coupons reinvested.

Subscribers residing in the territory of the United States of America are not permitted to subscribe to this UCITS.

In accordance with applicable EU regulations<sup>3</sup> introduced on 12 April 2022, and for as long as these remain in force, subscribers (natural persons and legal entities) of Russian or Belarusian nationality and/or residing or established in Russia or Belarus are not permitted to subscribe to this UCITS, without prejudice to any exceptions set out in these regulations.

The minimum recommended investment period is 3 years.

The amount that it would be reasonable to invest in the Sub-fund depends on the degree of risk the investor is willing to take. This amount also depends on the shareholder’s personal profile, particularly their financial situation and the current composition of their financial assets.

**Building and holding a financial asset portfolio implies a diversification of investments.**

It is also recommended that anyone wishing to subscribe to shares in the Sub-fund contact their usual adviser in order to obtain information or advice tailored to their personal circumstances.

We strongly recommend that potential investors ensure their investments are sufficiently diversified and not exposed solely to the risks of this Sub-fund.

□ **PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE INCOME – ALLOCATION FREQUENCY**

The Sub-fund is an accumulation sub-fund.

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<sup>3</sup> As at 1 June 2022, Regulation (EU) 833/2014, as amended, Regulation (EU) 398/2022 and Council Decision 2022/579.

□ **SHARE FEATURES**

Equities	ISIN code	Base currency	Splitting of shares	Minimum initial investment	Minimum subsequent investment
<b>S/C (EUR)</b>	FR0013410875	EUR	Ten-thousandths	EUR 100,000,000	One ten-thousandth of a share
<b>I/C (EUR)</b>	FR0013410867	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a share
<b>N/C (EUR)</b>	FR0013410883	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share
<b>R/C (EUR)</b>	FR0013410891	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share

The Sub-fund's reference currency is the euro.

□ **SUBSCRIPTION AND REDEMPTION PROCEDURES**

Subscription and redemption orders are cleared at 12.30 p.m. on each net asset value calculation day (D). These orders are executed on the basis of the net asset value established on D and calculated on D+1 business day.

Investors intending to purchase shares and shareholders wishing to redeem shares are asked to contact their usual marketing agent directly with regard to the deadline for the receipt of their subscription or redemption applications, as this may be prior to the aforementioned clearing deadline.

Orders in EUR are executed in accordance with the table below:

D	D	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Clearing before 12.30 p.m. CET for subscription orders <sup>1</sup>	Clearing before 12.30 p.m. CET for redemption orders <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

<sup>1</sup> Unless a specific deadline has been agreed with your financial institution.

□ **FREQUENCY OF NET ASSET VALUE CALCULATION**

The net asset value is calculated on every Euronext Paris trading day, with the exception of French official public holidays.

The net asset value may be obtained from the Management Company:

H2O AM EUROPE

39 Avenue Pierre 1er de Serbie, 75008 Paris, France.

Website: [www.h2o-am.com](http://www.h2o-am.com)

□ **FEES AND COMMISSIONS**

Subscription and redemption fees:

Subscription and redemption fees increase the subscription price paid by the investor or reduce the redemption price. The fees accruing to the Sub-fund serve to offset the costs borne by the Sub-fund in investing and divesting investors' assets. Remaining fees are paid back to the Management Company, marketing agent, etc.

<b>Fees charged to the investor and collected at the time of subscriptions and redemptions</b>	<b>Base</b>	<b>Rate/scale</b>
Maximum subscription fee not payable to the Sub-fund	Net asset value × Number of shares	Maximum 1% for I and N shares  None for SI shares  Maximum 2% for R shares
Subscription fee payable to the Sub-fund	Net asset value × Number of shares	None
Maximum redemption fee not payable to the Sub-fund	Net asset value × Number of shares	None
Maximum redemption fee payable to the Sub-fund	Net asset value × Number of shares	None

Fees charged to the Sub-fund:

These fees cover:

- Financial management fees,
- Operating expenses and other services,
- Maximum indirect costs (management commissions and fees) for UCITS that invest over 20% in other UCITS or investment funds,
- Transfer fees,
- Performance fees.

<b>Fees charged to the Sub-fund</b>	<b>Base</b>	<b>Rate/scale</b>
Financial management fees		Maximum rate 0.35% incl. tax for SI shares 0.45% incl. tax for I shares; 0.55% incl. tax for N shares; 0.90% incl. tax for R shares.
Operating expenses and other services	Net assets	Maximum rate 0.15% incl. tax for all shares
Transfer and transaction fees	Deducted from each transaction, allocated proportionately between beneficiaries	None
Performance fee	Positive difference between valued assets and reference assets	None

In particular, external distributors and delegated financial managers may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees.

The following costs may be added to the fees charged to the UCITS and shown above:

Exceptional and non-recurring debt recovery costs (e.g. Lehman Brothers proceedings) or costs to enforce a right (e.g. class action proceedings).

Information on these fees is also described ex post in the annual report of the UCITS.

The operating expenses and other services correspond to the internal or external fees of the Management Company relating to:

#### I. Fund registration and benchmarking fees

- All costs related to the registration of the UCI in other Member States (including costs charged by advisers (lawyers, consultants etc.) for carrying out marketing procedures with the local regulator on behalf of the portfolio management company);
- UCI listing fees and publication of net asset values for investor information;
- Distribution platform fees (excluding retrocessions); agents in foreign countries involved in distribution: local transfer agent, paying transfer agent, facility agent etc.

#### II. Customer and distributor information costs

- Costs of compiling and distributing regulatory documentation and reports;
- Costs related to the disclosure of regulatory information to distributors;
- Provision of information to unitholders by any means (publication in the press, other);
- Information specific to direct and indirect unitholders: letters to unitholders etc.;
- Website administration costs;
- Translation fees specific to the UCI.

### III. Data charges

- Licensing costs of the benchmark index used by the UCI;
- Costs of data used for redistribution to third parties (e.g. reuse of issuer ratings, index compositions, data etc.) ;
- Costs arising from specific client requests (e.g. a request to add two specific non-financial indicators to the reporting as requested by the client);
- Data charges for single products that cannot be amortised over several portfolios. Example: an impact fund requiring specific indicators;
- Audit fees and label promotion costs (e.g. SRI label, Greenfin label).

### IV. Custodian, legal, audit, tax fees etc.

- Statutory auditors' fees;
- Fees related to the custodian;
- Fees related to account-holders;
- Fees related to the delegation of administrative and accounting management;
- Audit fees;
- Tax expenses including lawyers and external experts (recovery of withholding taxes on behalf of the Fund, local tax agent etc.);
- Legal fees specific to the UCI;
- Guarantee fees;
- Costs of creating a new Sub-fund that can be amortised over five years.

### V. Fees related to compliance with regulatory obligations and regulatory reporting

- Costs of preparing regulatory reports for the regulator that are specific to the UCI (MMF reporting, AIFM, ratio overruns etc.);
- Mandatory professional association contributions;
- Contributions due for the management of this UCITS pursuant to 4° of II of Article L. 621-5-3 of the French Monetary and Financial Code;
- Exceptional and non-recurring taxes, fees and governmental duties (in relation to the UCITS);
- Operating fees for monitoring threshold crossings;
- Operating fees for the deployment of voting policies at Shareholders' Meetings.

### VI. Operating expenses

- Fees for compliance monitoring and control of investment restrictions where such restrictions arise from specific customer requests and are specific to the UCI.

### VIII. Fees related to customer knowledge

- Operating expenses for customer compliance (due diligence and creation/updating of customer files).

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

### III COMMERCIAL INFORMATION

- **PROVISION OF INFORMATION CONCERNING THE UCITS – INFORMATION PROCEDURES FOR SHAREHOLDERS:**

#### **DISTRIBUTION OF THE PROSPECTUS AND ANNUAL AND INTERIM DOCUMENTS**

- These documents will be sent to shareholders upon written request to:

H2O AM EUROPE

39 Avenue Pierre 1er de Serbie, 75008 Paris, France.

Email: [info@h2o-am.com](mailto:info@h2o-am.com)

- These documents will be sent to them within eight business days.
- These documents are also available online at [www.h2o-am.com](http://www.h2o-am.com).
- Further information can be obtained from branches of the marketing agents.

#### **INFORMATION ON THE NET ASSET VALUE**

The net asset value can be obtained from H2O AM EUROPE, from branches of the marketing agents and online at [www.h2o-am.com](http://www.h2o-am.com).

#### **COMMERCIAL DOCUMENTATION**

Commercial documentation is made available to shareholders of the SICAV on the Management Company's website [www.h2o-am.com](http://www.h2o-am.com).

#### **NOTIFICATION OF CHANGES TO THE SICAV'S OPERATING PROCEDURES**

Shareholders are informed of any changes concerning the Sub-fund in line with the procedures drawn up by the Autorité des Marchés Financiers (French Financial Markets Authority).

If applicable, this information may be provided via Euroclear France and its associated financial intermediaries.

#### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA**

Information on the procedures for taking account of criteria relating to compliance with environmental, social and governance (ESG) quality objectives can be found in the annual reports of the relevant UCITS and on the Management Company's website.

### IV INVESTMENT RULES

The UCITS complies with the investment rules for UCITS as stipulated by the French Monetary and Financial Code.

In particular, the Sub-fund may invest up to 100% of its assets in securities guaranteed by a State, a local public authority and/or a public international organisation, provided that this 100% is spread over at least six issues, with none of them representing more than 30% of the assets.

### V OVERALL RISK

The calculation method used by the Sub-fund is the relative Value-at-Risk method. The Sub-fund's VaR is limited to twice that of its benchmark index.

The indicative average leverage for the Sub-fund is 4.

However, the Sub-fund may reach a higher level of leverage. The indicative leverage for the Sub-fund is equal to the sum of the nominal positions on the financial contracts that are used.

## **VI ASSET VALUATION AND ACCOUNTING RULES**

### **A) Asset valuation rules**

#### **I - Securities portfolio**

The Management Company has delegated accounting management (including the valuation of the Sub-fund's portfolio) to CACEIS FUND ADMINISTRATION.

The Sub-fund's portfolio is valued each time the net asset value is calculated and when the accounts are closed, at the closing price.

The annual accounts of the SICAV are drawn up on the basis of the final net asset value for the financial year.

The Sub-fund complies with the accounting rules and methods prescribed by current regulations and with the UCITS chart of accounts, which, on the prospectus publication date, are as follows:

#### **Equities**

French shares are valued on the basis of the latest quoted price in the case of securities admitted to a deferred settlement system or a spot market.

Foreign equities are valued on the basis of the latest price on the Paris stock exchange, if the securities are listed in Paris, or on the first trading day of their main market, converted into euros in accordance with the WMR rate for the currency on the valuation date.

#### **Bonds**

Bonds are valued on the basis of a Bloomberg composite rating retrieved at 5.00 p.m. (Paris time) in accordance with the WMR rate for the currency on the valuation date.

#### **Transferable securities**

Transferable securities for which the price has not been recorded on the valuation date or has been adjusted are valued by the Management Company at their likely trading value.

In the case of transferable securities that are not listed or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Management Company adjusts its valuation on the basis of variations that seem likely in view of current events. The Statutory Auditor is informed of these valuations and the justifications for them during their audit.

Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date.

#### **UCITS/AIFs/investment funds**

Units or shares of UCITS/AIFs or investment funds are valued at the last known net asset value. Foreign undertakings for collective investment that carry out valuations at times that are incompatible with the calculation of the Sub-fund's net asset value are valued on the basis of

estimates supplied by the administrators of these undertakings, under the supervision and responsibility of the Management Company.

### **Money market instruments**

Money market instruments are valued in accordance with the following rules:

- BTFs (French fixed-rate treasury bills) are valued on the basis of an average of contributed prices obtained from market makers,
- Unlisted variable-rate money market instruments are valued at cost price, adjusted to take into account any potential variations in credit spreads.
- Other fixed-rate money market instruments (certificates of deposits, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

In the absence of an indisputable market price, money market instruments are valued by applying a yield curve, adjusted, if necessary, by a margin calculated on the basis of the characteristics of the security (of the issuer).

However, negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method.

### **Repurchase and reverse repurchase agreements**

Repurchase and reverse repurchase agreements on securities are valued at the contract price, adjusted for any margin calls (valued in accordance with the conditions set out in the contract). In the case of transferable securities that are not listed or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Executive Board of the Management Company adjusts the valuation on the basis of variations that are likely in view of current events.

Certain fixed-rate transactions with a maturity of over three months may be valued at the market price.

## **II - Futures and options transactions**

### **Organised futures and options markets**

Derivatives listed on an organised market are valued on the basis of the settlement price.

### **Swaps**

Asset swaps are valued at the market price based on the residual maturity of the asset and the valuation of the issuer's credit spread (or the trend in its rating).

Asset swaps with a maturity of three months or less are valued using the straight-line method, except in the case of an exceptional market event.

Asset swaps with a residual maturity exceeding three months are valued at the market price based on the spreads indicated by the market makers. In the absence of a market maker, the spreads will be obtained by any means from the available contributors.

Other swaps are valued in accordance with the following rules:

Swaps with a maturity of three months or less are valued using the straight-line method. Swaps with a maturity of more than three months are valued using the turnover rate method using a zero coupon yield curve.

Complex instruments such as CDS, SES and complex options are valued according to their type using an appropriate method.

### **Forward foreign exchange**

These are valued at the exchange rate for the currencies on the valuation date, allowing for the amortisation of the carry-forward/discount.

### **III - Off-balance sheet commitments**

Off-balance sheet commitments are valued as follows:

#### **A) Commitments on futures markets:**

##### **1) Futures:**

Commitment = reference price (the prices at 5.00 p.m. on Bloomberg, Paris time) x nominal contract value x quantities,

with the exception of commitments under the Euribor contract traded on LIFFE, which are recorded at their nominal value.

##### **2) Swap commitments:**

###### **a) Interest rate swaps**

Interest rate swaps with a maturity of three months or less  
backed: nominal value + accrued interest (interest differential)  
unsecured: nominal value + accrued interest (interest differential)

Interest rate swaps with a maturity exceeding three months  
backed:

- ° Fixed rate/Variable rate
- valuation of the fixed-rate portion at the market price
- ° Variable rate/Fixed rate
- appraisal of the variable-rate portion at market price

unsecured:

- ° Fixed rate/Variable rate
- valuation of the fixed-rate portion at the market price
- ° Variable rate/Fixed rate
- appraisal of the variable-rate portion at market price

###### **b) Other swaps**

These will be valued at their market value.

#### **B) Commitments on options markets:**

Commitment = quantity x nominal contract value (portion) x price of underlying x delta.

### **IV - Currencies**

Foreign currency prices are converted into *euros* in accordance with the WMR rate (4.00 p.m., London time) on the valuation date.

### **V - Unlisted financial instruments and other securities**

- Financial instruments for which the price has not been recorded on the valuation date are valued at the most recent officially published price or at their likely trading value, under the responsibility of the Management Company;
- Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date;

- Financial instruments not traded on a regulated market are valued at their likely trading value, under the responsibility of the Management Company;
- Other financial instruments are appraised at their market value as calculated by the counterparties, under the supervision and responsibility of the Management Company.

The valuations of unlisted financial instruments and the other securities referred to in this paragraph, together with the justifications for them, are passed on to the Statutory Auditor during their audits.

### **Swing pricing mechanism of the net asset value with trigger threshold (from 30 September 2017)**

The Management Company has implemented a method for adjusting the net asset value (NAV) with a trigger threshold.

This mechanism consists of making investors, who subscribe or redeem their shares, bear the charges related to transactions carried out on the Sub-fund's assets owing to movements (subscriptions/redemptions) in the Sub-fund's liabilities. The purpose of this mechanism, which is governed by a policy, is to protect shareholders who remain in the Sub-fund by ensuring that they bear the lowest possible charges. This results in an adjusted "swung" NAV.

This means that if, on a NAV calculation day, the total number of net subscription/redemption orders from investors across all share classes of the Sub-fund exceeds a threshold that is predetermined, based on the objective criteria set out by the Management Company, as a percentage of net assets, the NAV can be adjusted upwards or downwards to take into account the readjustment costs attributable to the respective net subscription/redemption orders. If the Sub-fund issues several share classes, the NAV of each share class is calculated separately but any adjustment has, as a percentage, the same impact on all NAVs of the Sub-fund's share classes.

The cost parameters of readjustments and of the trigger threshold are determined by the Management Company and reviewed periodically. These costs are estimated by the Management Company based on transaction charges, purchase and sale price ranges and any taxes applicable to the Sub-fund.

The adjustment mechanism will be applied at some point in the future; however, it is not possible to predict accurately when or how often the Management Company will make such adjustments.

Investors are informed that the volatility of the Sub-fund's NAV may not only reflect that of securities held in the portfolio owing to the application of the adjustment mechanism.

The "swung" NAV is the Sub-fund's only net asset value and the only one communicated to the Sub-fund's shareholders. However, in the event of a performance fee, this is calculated on the NAV before the adjustment mechanism is applied.

### **B Accounting methods**

Income is recorded on a cash accounting basis.

Trading fees are recorded in the Sub-fund's specific accounts and are not added to the price.

The weighted average cost price method is used for the settlement of securities. For derivative products, however, the FIFO (First In, First Out) method is used.

Additions to the portfolio are recorded at their acquisition price excluding fees, and disposals are recorded at their sale price excluding fees.

## VII REMUNERATION

Details of the remuneration policy are available at [www.h2o-am.com](http://www.h2o-am.com).

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## **SUB-FUND: H2O EuroSovereign 3-5 years**

### □ **ISIN CODES**

<b><u>Shares</u></b>	<b><u>ISIN code</u></b>
<b>SI/C (EUR)</b>	FR0013434958
<b>I/C (EUR)</b>	FR0013434941
<b>R/C (EUR)</b>	FR0013434982
<b>N/C (EUR)</b>	FR0013434974

### □ **CLASSIFICATION**

Bonds and/or debt securities denominated in euros.

### □ **HOLDING OF UNITS OR SHARES IN UCIs (UCITS OR AIFs) OR INVESTMENT FUNDS**

The Sub-fund may invest up to 10% of its net assets in units or shares in UCIs or investment funds.

### □ **MANAGEMENT OBJECTIVE**

The Sub-fund aims to outperform the Bloomberg Barclays EuroAgg Treasury 3-5 Year Total Return Index Value Unhedged EUR benchmark (Bloomberg ticker: LET3TREU).

### □ **BENCHMARK INDEX**

The benchmark is the Bloomberg Barclays EuroAgg Treasury 3-5 Year Total Return Index Value Unhedged EUR.

The Bloomberg Barclays EuroAgg Treasury 3-5 Year Total Return Index Value Unhedged EUR index is composed of Investment Grade government bonds issued by 14 countries in the eurozone.

The supplier of the Bloomberg Barclays EuroAgg Treasury 3-5 Year Total Return Index Value Unhedged EUR index is Bloomberg Index Services Limited, whose website is: [www.bloomberg.com](http://www.bloomberg.com). The administrator of the benchmark index is recorded on the register of administrators and benchmark indices held by ESMA.

It must be noted that as the management of the Sub-fund is not index-based, the Sub-fund's performance may potentially differ considerably from that of its benchmark index.

### □ **INVESTMENT STRATEGY**

#### **1) Strategies employed**

The Sub-fund's investment strategy aims to outperform the index over a three-year investment horizon by investing in European government bonds (Eurozone, Nordic, Central Europe), solely denominated in euros.

This performance objective will be sought in line with a maximum ratio of 2 between the estimated ex ante Value-at-Risk (VaR) at 20 days with a confidence interval of 99%, the Sub-fund and that of the benchmark index.

Management targets an indicative average annual ex ante Tracking Error (TE) of [2%; 4%]. The overall modified duration of the portfolio falls within a range from +1 to +7.

The investment strategy is based on a top-down approach and relies in particular on macroeconomic analysis, an analysis of capital flows and relative market valuation of the various European sovereign bond markets (including bonds issued and/or guaranteed by the European Union or one of its institutions).

The Sub-fund is actively managed and derives its performance from the following strategies:

- 1) Active management of the portfolio's total modified duration within a range of +1 to +7;
- 2) Country allocation: arbitrage of the various European sovereign interest rate curves;
- 3) Curve sector allocation: arbitrage of curve segments of European sovereign interest rates;
- 4) Choice of instruments (securities, derivatives).

#### **SFDR:**

With reference to the regulation known as the “SFDR Regulation” (Regulation (EU) 2019/2088 of the European Parliament of 27 November 2019 on sustainability-related disclosures in the financial services sector), this Sub-fund is not covered by either Article 8 or by Article 9 of SFDR, and consequently forms part of the category of funds covered by Article 6.

The main criteria taken into consideration in investment decisions are macro-economic analysis, the analysis of capital flows and the relative valuation of the markets.

Sustainability risks (as defined in the SFDR and the definition for which is reproduced in the Risk Profile section below) are integrated by means of systematic exclusions that are based on the regulations in force and on those sectors and countries that are subject to international sanctions.

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company's compliance department for any investment linked to issuers based in countries defined as “high-risk” with regard to money laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU's lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

The Management Company has adopted a strict controversial weapons and sector exclusion policy, which can be found on its website.

The UCITS is not currently able to integrate the Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, owing to:

- a lack of available reliable data;
- use of derivative financial instruments for which the PAIs have not yet been integrated or defined

**2) Description of asset classes and financial contracts in which the Sub-fund intends to invest and their contribution to the achievement of the management objective.**

**2-1. Debt securities, equivalent securities and financial instruments**

**Bond market instruments:**

- up to 100% of the net assets in bonds, exclusively denominated in euros, issued or guaranteed by the European Union (or one of its institutions) and/or Member States of the eurozone and, on an ancillary basis, by those of the Nordic and Central European countries (Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Iceland, Moldova, Montenegro, Norway, Poland, Romania, Serbia, Sweden, Switzerland, Turkey, Ukraine, United Kingdom) whose bonds are inflation-indexed.
- non-European bonds: 0%;
- non-government bonds: 0%;
- collateralised bonds (ABS and MBS): 0%.

**Money market instruments:**

- The Sub-fund's cash position is managed through the acquisition of money market instruments (treasury bills, annual interest treasury bills, Commercial Paper, Euro Commercial Paper and money market UCITS/AIFs) and through reverse repurchase agreements and deposits.

**2-2. Currencies**

The Sub-fund is only exposed to the euro. The Sub-fund may only acquire bond securities denominated in euros.

As such, the Sub-fund does not bear any currency risk.

**2-3. Shares**

There will be no investment in equities.

<b>Recap of the main limits for investment in bonds (<i>ratings applicable at time of purchase</i>)</b>	
Overall modified duration range	[+1; +7]
Geographical region of issuers*	Europe
Base currency of securities	Euro exclusively
Currency risk borne*	0%

\*Calculations basedn a % of the Sub-fund's net assets

**2-4. Specific instruments: shares/units in investment funds**

The Sub-fund may hold units or shares in UCITS, UCIs or investment funds, subject to a limit of 10% of its assets:

UCITS under French law*	X
UCITS under European law*	X
AIFs under French law which comply with Article R. 214-13 of the French Monetary and Financial Code*	X

European AIFs which comply with Article R. 214-13 of the French Monetary and Financial Code*	X
Investment funds under foreign law which comply with Article R. 214-13 of the French Monetary and Financial Code*	

*\*These UCITS/AIFs/investment funds may not hold more than 10% of their assets in UCITS/AIFs/investment funds.*

The UCITS or UCIs held by the Sub-fund may be managed by the Management Company or a legally affiliated company.

## **2-5. Derivatives**

The investment process includes the use of financial contracts, whether conditional or otherwise, traded on regulated, organised or over-the-counter markets.

These are an alternative to bearer securities, especially in times of cash flow movement associated with subscriptions/redemptions or in specific circumstances such as major market fluctuations. They are also a means of accessing hedging and exposure strategies.

The UCITS may enter into financial contracts (derivatives) traded on French or foreign regulated, organised or over-the-counter markets as set out in the table below.

## TABLE OF DERIVATIVES

Type of instruments used	MARKET TYPE			RISK TYPE					OPERATION TYPE			
	Admission to regulated markets*	Organised markets	Over-the-counter markets	Share	Interest rate	Foreign exchange	Credit	Other risk(s)	Hedging	Exposure	Transfer	Other strategy(-ies)
<b>Forward contracts (futures) on</b>												
Shares												
Interest rate	X	X			X				X	X	X	
Foreign exchange												
Indexes	X	X			X				X	X	X	
<b>Options on</b>												
Shares												
Interest rate	X	X	X		X				X	X	X	
Foreign exchange												
Indexes	X	X	X		X				X	X	X	
<b>Swaps</b>												
Shares												
Interest rate			X		X				X	X	X	
Foreign exchange												
Indexes			X		X				X	X	X	
<b>Forward foreign exchange</b>												
Currency(-ies)												
<b>Credit derivatives</b>												
Credit default swap (CDS)												
First-to-default												
First-loss credit default swap												

\* Please see the Investment Manager's order execution policy at [www.h2o-am.com](http://www.h2o-am.com).

The Sub-fund may enter into total return swaps (TRS) which seek to swap the performance of all or some of the assets held by the Sub-fund (and held by the Sub-fund's depositary) for the performance of an index or an asset class listed in the section entitled "Description of asset classes and financial contracts".

The maximum proportion of assets under management that may be used for TRS is 50% of the net assets. Under normal market conditions, the Investment Manager expects such transactions to involve up to 25% of the Sub-fund's net assets.

The counterparties to total return swaps are credit institutions or other entities that meet the criteria set out in the French Monetary and Financial Code and are selected by the Investment Manager in accordance with the counterparty selection procedure available on its website at the following address: [www.h2o-am.com](http://www.h2o-am.com). The Investment Manager shall enter into such contracts with financial institutions that have their registered office in a Member State of the OECD and with a minimum rating that meets the requirements of the Investment Manager.

These transactions are systematically covered by a contract signed between the Investment Manager and the counterparty that defines the procedures for reducing counterparty risk.

Counterparties do not have any discretionary decision-making powers in respect of the composition or management of the Sub-fund's investment portfolio or the assets underlying the derivative.

#### **2-6. Information relating to over-the-counter financial contracts**

Counterparties consist of leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available on request from the Investment Manager. These transactions are systematically covered by a contract signed between the UCITS and the counterparty that defines the procedures for reducing counterparty risk.

The counterparty/counterparties does/do not have any discretionary decision-making powers over the composition or management of the UCITS' investment portfolio or the assets underlying the derivative.

All these instruments will be used to hedge and/or expose the Sub-fund's portfolio against interest rate risk and/or to hedge the portfolio against currency risk.

#### **2-7. Securities with embedded derivatives**

The Sub-fund will not invest its assets in securities with embedded derivatives.

#### **2-8. Deposits**

The Sub-fund may make deposits in compliance with the French Monetary and Financial Code for a maximum term of twelve months. These deposits, which will enable the Sub-fund to manage all or part of its cash, help to achieve its management objective.

#### **2-9. Cash and cash equivalents**

The Sub-fund may hold cash and cash equivalents on an ancillary basis.

#### **2-10. Cash borrowings**

The Sub-fund may borrow cash up to a limit of 10% of its assets and only on a temporary basis.

#### **2-11. Temporary purchases and sales of securities**

The Investment Manager may carry out temporary purchases or sales of securities (also known as securities financing transactions) up to a limit of 100% of the assets. It is expected that 50% of the assets under management will be subject to securities financing transactions.

<b>Types of transactions used</b>	
Repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Other	

<b>Types of transactions, all of which must be limited to achieving the management objective</b>	
Cash management	X
Optimisation of the Sub-fund's earnings and performance	X
Other	

## **2-12. Information on the use of temporary purchases/sales of securities**

The purpose of using temporary sales of securities is to obtain an additional return for the UCITS and therefore to contribute to its performance. Furthermore, the UCITS may enter into reverse repurchase agreements as part of the reinvestment of cash collateral and/or into repurchase agreements to meet liquidity needs.

## **2-13. Contracts constituting collateral**

In connection with the conclusion of financial contracts and/or securities financing transactions, the Sub-fund may receive/pay collateral in the form of a transfer of the full ownership of securities and/or cash.

Securities received as collateral must meet the criteria laid down by the regulations and must be granted by credit institutions or other entities that meet the legal, country and other financial criteria set out in the French Monetary and Financial Code.

The level of collateral and the discount policy are set by the Investment Manager's collateral eligibility policy for in accordance with the regulations in force, and include the following categories:

- ✓ Cash collateral in various currencies according to a predefined list;
- ✓ Collateral as debt or equity securities on the basis of a specific designation.

The eligibility policy for collateral explicitly defines the level of collateral required and the discounts applied to each type of collateral on the basis of rules that depend on their specific characteristics. In accordance with the regulations in force, it also specifies the rules for the diversification of risks, correlation, valuation, credit quality and regular stress tests on the collateral's liquidity.

In accordance with the conditions set out in the regulations, in the event that collateral is received in cash, it may only be:

- placed on deposit;
- invested in high-quality government bonds;
- used in reverse repurchase agreements;
- invested in short-term money-market undertakings for collective investment (UCI).

Collateral other than in cash received may not be sold, reinvested or pledged as security.

In accordance with the valuation rules laid down in this prospectus, the Management Company will conduct a daily valuation of collateral received on a mark-to-market basis. Margin calls will be made on a daily basis.

The collateral received by the Sub-fund will be held by the Sub-fund's depositary or, failing that, by any third-party depositary that is subject to prudential supervision and that has no connection with the provider of the collateral.

The risks associated with securities financing transactions, financial contracts and the management of inherent collateral are described in the risk profile section.

□ **TAXONOMY: (REGULATION EU 2020/852)**

The underlying investments of the Sub-fund do not take into account the EU criteria set out in the Taxonomy Regulation for environmentally sustainable economic activities.

□ **RISK PROFILE**

Your money will be mainly invested in financial instruments selected by the Management Company. These instruments will be subject to market trends and risks.

The net asset value may vary by significant amounts due to the financial instruments included in the portfolio. This means that you may not get back all the capital you invested and this applies equally for investments made for the recommended investment period.

The various risks to which the Sub-fund is exposed may cause the net asset value of the Sub-fund to fall.

**Risk of capital loss:** the risk of capital loss results from selling a share for less than the purchase price paid.

The Sub-fund offers no guarantee or protection, so you may not get back the full amount of your initial investment.

**Risks associated with classification**

**Interest rate risk:** the Sub-fund may carry an interest rate risk as the duration of the portfolio modified to the Sub-fund's interest rates is between +1 and +7. Accordingly, its net asset value may fall in a period of rising interest rates. Moreover, the higher the Sub-fund's modified duration (variation percentage of the net asset value when rates change by 1%), the higher the interest rate risk to which the Sub-fund is exposed, and vice versa. Because of its investment strategy, the Sub-fund is subject to a greater interest rate risk, its modified duration potentially going up to 7.

**Credit risk:** credit risk involves the risk that the economic or financial situation of an issuer may deteriorate, leading to a decline in the value of the issuer's security and therefore a fall in the net asset value of the Sub-fund.

Investments are made in securities issued and/or guaranteed by European countries including those that are eurozone Member States, and/or in units or shares of UCIs invested in sovereign securities.

**Risk associated with inflation:** a portion of the Sub-fund's portfolio may be invested in inflation-indexed bonds. If inflation anticipated for future years were to fall, the value of inflation-indexed bonds may also fall, which could lead to a decline in the Sub-fund's net asset value.

**Discretionary management risk:** the Sub-fund's discretionary management style relies on anticipating the development of the various bond markets. Therefore, there is a risk that the Sub-fund may not be invested in the best-performing markets at all times.

**Risk associated with exposure:** as part of the method used to calculate commitment, risk budgets are determined for the various strategies. The Sub-fund will therefore have variable levels of exposure to the different types of risk described in this prospectus. The level of exposure depends in particular on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to fall faster and/or to a greater extent than the markets underlying these risks.

**Risk taken in relation to the benchmark:** the risk that the Sub-fund's performance may deviate from that of its benchmark. In accordance with the "Strategies employed" section, risks may be taken with regard to the benchmark in order to achieve the management objective, which may result in the Sub-fund underperforming its benchmark.

**Counterparty risk:** the Sub-fund uses forward financial instruments, over-the-counter instruments and/or temporary purchases and sales of securities. These transactions, entered into with one or more eligible counterparties, potentially expose the Sub-fund to the risk of one of these counterparties defaulting, which may cause them to default on payment.

The use of derivatives is likely to increase or limit interest rate risk and credit risk, within the limits described above and in the "Investment strategy" section.

If this risk occurs, it may lead to a fall in the Sub-fund's net asset value.

**Arbitrage risk:** arbitrage is a technique that takes advantage of price differences observed (or expected) between markets and/or sectors and/or securities and/or currencies and/or instruments. In the event of an unfavourable outcome in such arbitrage transactions (false expectations: rises in the case of sales transactions and/or falls in the case of purchase transactions), the net asset value of the UCITS may fall.

**Liquidity risk:** the liquidity risk present in the Sub-fund represents the fall in price that the UCITS could potentially have to accept in order to sell certain assets for which there is insufficient market demand.

**Risk associated with temporary purchases and sales of securities, total return swaps (TRS) and the management of collateral:** temporary purchases and sales of securities and total return swaps (TRS) are likely to create risks for the Sub-fund such as the counterparty risk defined above. The management of collateral may create risks for the Sub-fund, such as liquidity risk (i.e. the risk that a security received as collateral is not sufficiently liquid and cannot be sold quickly in the event that the counterparty defaults) and, where applicable, risks related to the reuse of cash collateral (i.e. primarily the risk that the Sub-fund is unable to reimburse the counterparty).

**Sustainability risk:** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

These various risks may lead to a fall in the net asset value of the Sub-fund.

□ **TARGET SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

The Sub-fund is for all subscribers.

I and SI shares are primarily aimed at institutional investors.

R shares are primarily aimed at private individuals.

The N share is open to all subscribers and is specifically intended for private individuals who invest through distributors, financial advisers, platforms or other intermediaries (collectively, “Intermediaries”) under a separate contract or a fee-based contract between the investor and an intermediary.

The Sub-fund is aimed at investors who wish to invest the stable portion of their cash with the objective of outperforming the Bloomberg Barclays EuroAgg Treasury 3-5 Year Total Return Index Value Unhedged EUR.

Subscribers residing in the territory of the United States of America are not permitted to subscribe to this UCITS.

In accordance with applicable EU regulations<sup>4</sup> introduced on 12 April 2022, and for as long as these remain in force, subscribers (natural persons and legal entities) of Russian or Belarusian nationality and/or residing or established in Russia or Belarus are not permitted to subscribe to this UCITS, without prejudice to any exceptions set out in these regulations.

The minimum recommended investment period is 3 years.

The amount that it would be reasonable to invest in the Sub-fund depends on the degree of risk the investor is willing to take. This amount also depends on the shareholder’s personal profile, particularly their financial situation and the current composition of their financial assets.

**Building and holding a financial asset portfolio implies a diversification of investments.**

It is also recommended that anyone wishing to subscribe to shares in the Sub-fund contact their usual adviser in order to obtain information or advice tailored to their personal circumstances.

We strongly recommend that potential investors ensure their investments are sufficiently diversified and not exposed solely to the risks of this Sub-fund.

□ **PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE INCOME – ALLOCATION FREQUENCY**

The Sub-fund is an accumulation sub-fund.

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<sup>4</sup> As at 1 June 2022, Regulation (EU) 833/2014, as amended, Regulation (EU) 398/2022 and Council Decision 2022/579.

□ **SHARE FEATURES**

<b><u>Shares</u></b>	ISIN code	Base currency	Splitting of shares	Minimum initial investment	Minimum subsequent investment
<b>S/C (EUR)</b>	FR0013434958	EUR	Ten-thousandths	EUR 100,000,000	One ten-thousandth of a share
<b>I/C (EUR)</b>	FR0013434941	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a share
<b>N/C (EUR)</b>	FR0013434974	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share
<b>R/C (EUR)</b>	FR0013434982	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share

The Sub-fund's reference currency is the euro.

□ **SUBSCRIPTION AND REDEMPTION PROCEDURES**

Subscription and redemption orders are cleared at 12.30 p.m. on each net asset value calculation day (D). These orders are executed on the basis of the net asset value established on D and calculated on D+1 business day.

Investors intending to purchase shares and shareholders wishing to redeem shares are asked to contact their usual marketing agent directly with regard to the deadline for the receipt of their subscription or redemption applications, as this may be prior to the aforementioned clearing deadline.

Orders in EUR are executed in accordance with the table below:

D	D	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Clearing before 12.30 p.m. CET for subscription orders <sup>1</sup>	Clearing before 12.30 p.m. CET for redemption orders <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution.

□ **FREQUENCY OF NET ASSET VALUE CALCULATION**

The net asset value is calculated on every Euronext Paris trading day, with the exception of French official public holidays.

The net asset value may be obtained from the Management Company:  
H2O AM EUROPE  
39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France.  
Website: [www.h2o-am.com](http://www.h2o-am.com)

□ **FEES AND COMMISSIONS**

Subscription and redemption fees:

Subscription and redemption fees increase the subscription price paid by the investor or reduce the redemption price. The fees accruing to the Sub-fund serve to offset the costs borne by the Sub-fund for investing and divesting investors' assets. Remaining fees are paid back to the Management Company, marketing agent, etc.

<b>Fees charged to the investor and collected at the time of subscriptions and redemptions</b>	<b>Base</b>	<b>Rate/scale</b>
Maximum subscription fee not payable to the Sub-fund	Net asset value × Number of shares	None for SI shares Maximum 1% for I and N shares 2% for R shares
Subscription fee payable to the Sub-fund	Net asset value × Number of shares	None
Maximum redemption fee not payable to the Sub-fund	Net asset value × Number of shares	None
Redemption fee payable to the Sub-fund	Net asset value × Number of shares	None

Fees charged to the Sub-fund:

These fees cover:

- Financial management fees,
- Operating expenses and other services,
- Maximum indirect costs (management commissions and fees) for UCITS that invest over 20% in other UCITS or investment funds,
- Transfer fees,
- Performance fees.

<b>Fees charged to the Sub-fund</b>	<b>Base</b>	<b>Rate/scale</b>
Financial management fees	Net assets	Maximum rate 0.35% incl. tax for SI shares; 0.45% incl. tax for I shares; 0.55% incl. tax for N shares; 0.90% incl. tax for R shares.
Operating expenses and other services	Net assets	Maximum rate: 0.15% incl. tax for all shares
Transfer fees	Deducted from each transaction, allocated proportionately between beneficiaries	None
Performance fee	Positive difference between valued assets and reference assets	None

In particular, external distributors and delegated financial managers may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees.

The following costs may be added to the fees charged to the UCITS and shown above:

- Exceptional and non-recurring debt recovery costs (e.g. Lehman Brothers proceedings) or costs to enforce a right (e.g. class action proceedings). Information on these fees is also described ex post in the annual report of the UCITS.

The operating expenses and other services correspond to the internal or external fees of the Management Company relating to:

#### I. UCI registration and benchmarking fees

- All costs related to the registration of the UCI in other Member States (including costs charged by advisers (lawyers, consultants etc.) for carrying out marketing procedures with the local regulator on behalf of the portfolio management company);
- UCI listing fees and publication of net asset values for investor information;
- Distribution platform fees (excluding retrocessions); agents in foreign countries involved in distribution: local transfer agent, paying transfer agent, facility agent etc.

#### II. Customer and distributor information costs

- Costs of compiling and distributing regulatory documentation and reports;
- Costs related to the disclosure of regulatory information to distributors;
- Provision of information to unitholders by any means (publication in the press, other);
- Information specific to direct and indirect unitholders: letters to unitholders etc.;
- Website administration costs;
- Translation fees specific to the UCI.

### III. Data charges

- Licensing costs of the benchmark index used by the UCI;
- Costs of data used for redistribution to third parties (e.g. reuse of issuer ratings, index compositions, data etc.) ;
- Costs arising from specific client requests (e.g. a request to add two specific non-financial indicators to the reporting as requested by the client);
- Data charges for single products that cannot be amortised over several portfolios. Example: an impact fund requiring specific indicators;
- Audit fees and label promotion costs (e.g. SRI label, Greenfin label).

### IV. Custodian, legal, audit, tax fees etc.

- Statutory auditors' fees;
- Fees related to the custodian;
- Fees related to account-holders;
- Fees related to the delegation of administrative and accounting management;
- Audit fees;
- Tax expenses including lawyers and external experts (recovery of withholding taxes on behalf of the Fund, local tax agent etc.);
- Legal fees specific to the UCI;
- Guarantee fees;
- Costs of creating a new Sub-fund that can be amortised over five years.

### V. Fees related to compliance with regulatory obligations and regulatory reporting

- Costs of preparing regulatory reports to the regulator specific to the UCI (MMF reporting, AIFM, ratio overruns etc.);
- Mandatory professional association contributions;
- Contributions due for the management of this UCITS pursuant to 4° of II of Article L. 621-5-3 of the French Monetary and Financial Code;
- Exceptional and non-recurring taxes, fees and governmental duties (in relation to the UCITS);
- Operating fees for monitoring threshold crossings;
- Operating fees for the deployment of voting policies at Shareholders' Meetings.

### VI. Operating expenses

- Fees for compliance monitoring and control of investment restrictions where such restrictions arise from specific customer requests and are specific to the UCI.

### VIII. Fees related to customer knowledge

- Operating fees for customer compliance (due diligence and creation/updating of customer files).

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

### III COMMERCIAL INFORMATION

- **PROVISION OF INFORMATION CONCERNING THE UCITS – INFORMATION PROCEDURES FOR SHAREHOLDERS:**

**DISTRIBUTION OF THE PROSPECTUS AND ANNUAL AND INTERIM DOCUMENTS**

- These documents will be sent to shareholders upon written request to:

H2O AM EUROPE

39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France.

Website: [www.h2o-am.com](http://www.h2o-am.com)

- These documents will be sent to them within eight business days.
- These documents are also available online at [www.h2o-am.com](http://www.h2o-am.com).
- Further information can be obtained from branches of the marketing agents.

**INFORMATION ON THE NET ASSET VALUE**

The net asset value can be obtained from H2O AM EUROPE, from branches of the marketing agents and online at [www.h2o-am.com](http://www.h2o-am.com).

**COMMERCIAL DOCUMENTATION**

Commercial documentation is made available to shareholders of the SICAV on the Management Company's website [www.h2o-am.com](http://www.h2o-am.com).

**NOTIFICATION OF CHANGES TO THE SICAV'S OPERATING PROCEDURES**

Shareholders are informed of any changes concerning the Sub-fund in line with the procedures drawn up by the Autorité des Marchés Financiers (French Financial Markets Authority).

If applicable, this information may be provided via Euroclear France and its associated financial intermediaries.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA**

Information on the procedures for taking account of criteria relating to compliance with environmental, social and governance (ESG) quality objectives can be found in the annual reports of the relevant UCITS and on the Management Company's website.

## IV INVESTMENT RULES

The UCITS complies with the investment rules for UCITS as stipulated by the French Monetary and Financial Code.

In particular, the Sub-fund may invest up to 100% of its assets in securities guaranteed by a State, a local public authority and/or a public international organisation, provided that this 100% is spread over at least six issues, with none of them representing more than 30% of the assets.

## V OVERALL RISK

The calculation method used by the Sub-fund is the relative Value-at-Risk method. The Sub-fund's VaR is limited to twice that of its benchmark index.

The indicative average leverage level for the UCITS is 3.

However, the UCITS may reach a higher leverage level. The indicative level of leverage for the UCITS is calculated as the sum of the nominal positions on the financial contracts that are used.

## VI ASSET VALUATION AND ACCOUNTING RULES

### **A) Asset valuation rules**

#### **I - Securities portfolio**

The Management Company has delegated accounting management (including the valuation of the Sub-fund's portfolio) to CACEIS Fund Administration.

The Sub-fund's portfolio is valued each time the net asset value is calculated and when the accounts are closed, at the closing price.

The annual accounts of the SICAV are drawn up on the basis of the final net asset value for the financial year.

The Sub-fund complies with the accounting rules and methods prescribed by current regulations and with the UCITS chart of accounts, which on the prospectus publication date are as follows:

#### **Equities**

French shares are valued on the basis of the latest quoted price in the case of securities admitted to a deferred settlement system or a spot market.

Foreign equities are valued on the basis of the latest price on the Paris stock exchange if the securities are listed in Paris, or on the first trading day of their main market, converted into euros in accordance with the WMR rate for the currency on the valuation date.

#### **Bonds**

Bonds are valued on the basis of a Bloomberg composite rating retrieved at 5.00 p.m. (Paris time) in accordance with the WMR rate for the currency on the valuation date.

### **Transferable securities**

Transferable securities for which the price has not been recorded on the valuation date or has been adjusted are valued by the Management Company at their likely trading value.

In the case of transferable securities that are not listed or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Management Company adjusts its valuation on the basis of variations that seem likely in view of current events. The Statutory Auditor is informed of these valuations and the justifications for them during their audit.

Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date.

### **UCITS/AIFs/investment funds**

Units or shares of UCITS/AIFs or investment funds are valued at the last known net asset value. Foreign undertakings for collective investment carrying out valuations at times that are incompatible with the calculation of the Sub-fund's net asset value are valued on the basis of estimates supplied by the administrators of these undertakings, under the supervision and responsibility of the Management Company.

### **Money market instruments:**

Money market instruments are valued in accordance with the following rules:

- BTFs (French fixed-rate treasury bills) are valued on the basis of an average of contributed prices obtained from market makers,
- Unlisted variable-rate money market instruments are valued at cost price, adjusted to take into account any potential variations in credit spreads.
- Other fixed-rate money market instruments (certificates of deposits, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

In the absence of an indisputable market price, money market instruments are valued by applying a yield curve, adjusted, if necessary, by a margin calculated on the basis of the characteristics of the security (of the issuer).

However, negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method.

### **Repurchase and reverse repurchase agreements on securities**

Repurchase and reverse repurchase agreements on securities are valued at the contract price, adjusted for any margin calls (valued in accordance with the conditions set out in the contract). In the case of transferable securities that are not listed or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Executive Board of the Management Company adjusts the valuation on the basis of variations that are likely in view of current events.

Certain fixed-rate transactions with a maturity of over three months may be valued at the market price.

## **II - Futures and options transactions**

### **Organised futures and options markets**

Derivatives listed on an organised market are valued on the basis of the settlement price.

### **Swaps**

Asset swaps are valued at the market price based on the residual maturity of the asset and the valuation of the issuer's credit spread (or the trend in its rating).

Asset swaps with a maturity of three months or less are valued using the straight-line method, except in the case of an exceptional market event.

Asset swaps with a residual maturity exceeding three months are valued at the market price based on the spreads indicated by the market makers. In the absence of a market maker, the spreads will be obtained by any means from the available contributors.

Other swaps are valued in accordance with the following rules:

Swaps with a maturity of three months or less are valued using the straight-line method. Swaps with a maturity of more than three months are valued using the turnover rate method using a zero coupon yield curve.

Complex instruments such as CDS, SES or complex options are valued according to their type using an appropriate method.

### **Forward foreign exchange**

These are valued at the exchange rate for the currencies on the valuation date, allowing for the amortisation of the carry-forward/discount.

## **III - Off-balance sheet commitments**

Off-balance sheet commitments are valued as follows:

### **A) Commitments on futures markets:**

#### **1) Futures:**

commitment = reference price (the prices at 5.00 p.m. on Bloomberg, Paris time) x nominal contract value x quantities,

with the exception of commitments under the Euribor contract traded on LIFFE, which are recorded at their nominal value.

#### **2) Swap commitments:**

##### **a) Interest rate swaps**

- interest rate swaps with a maturity of three months or less
- secured: nominal value + accrued interest (interest differential)
- unsecured: nominal value + accrued interest (interest differential)

- interest rate swaps with a maturity exceeding three months

.secured:

- ° Fixed Rate/Variable Rate
- valuation of the fixed-rate portion at the market price
- ° Variable Rate/Fixed Rate
- appraisal of the variable-rate portion at market price

.unsecured:

- ° Fixed Rate/Variable Rate
- valuation of the fixed-rate portion at the market price
- ° Variable Rate/Fixed Rate
- appraisal of the variable-rate portion at market price

##### **b) Other swaps**

These will be valued at their market value.

### **B) Commitments on options markets:**

Commitment = quantity x nominal contract value (portion) x price of underlying x delta.

#### **IV - Currencies**

Foreign currency prices are converted into *euros* in accordance with the WMR rate (4.00 p.m., London time) on the valuation date.

#### **V - Unlisted financial instruments and other securities**

- Financial instruments for which the price has not been recorded on the valuation date are valued at the most recent officially published price or at their likely trading value, under the responsibility of the Management Company;
- Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date;
- Financial instruments not traded on a regulated market are valued at their likely trading value, under the responsibility of the Management Company;
- Other financial instruments are appraised at their market value as calculated by the counterparties, under the supervision and responsibility of the Management Company.

The valuations of unlisted financial instruments and the other securities referred to in this paragraph, together with the justifications for them, are passed on to the Statutory Auditor during their audits.

#### **Swing pricing mechanism of the net asset value with trigger threshold (from 30 September 2017)**

The Management Company has implemented a method for adjusting the net asset value (NAV) with a trigger threshold.

This mechanism consists of making investors who subscribe or redeem their shares, bear the charges related to transactions carried out on the Sub-fund's assets owing to movements (subscriptions/redemptions) in the Sub-fund's liabilities. The purpose of this mechanism, which is governed by a policy, is to protect shareholders who remain in the Sub-fund by ensuring that they bear the lowest possible charges. This results in an adjusted "swung" NAV.

This means that if, on a NAV calculation day, the total number of net subscription/redemption orders from investors across all share classes of the Sub-fund exceeds a threshold that is predetermined, based on the objective criteria set out by the Management Company, as a percentage of net assets, the NAV can be adjusted upwards or downwards to take into account the readjustment costs attributable to the respective net subscription/redemption orders. If the Sub-fund issues several share classes, the NAV of each share class is calculated separately but any adjustment has the same impact as a percentage on all the NAVs of the Sub-fund's share classes.

The cost parameters of readjustments and of the trigger threshold are determined by the Management Company and reviewed periodically. These costs are estimated by the Management Company based on transaction charges, purchase and sale price ranges and any taxes applicable to the Sub-fund.

The adjustment mechanism will be applied at some point in the future; however, it is not possible to predict accurately when or how often the Management Company will make such adjustments.

Investors are informed that the volatility of the Sub-fund's NAV may not only reflect that of securities held in the portfolio owing to the application of the adjustment mechanism.

The “swung” NAV is the Sub-fund’s only net asset value and the only one communicated to the Sub-fund’s shareholders. However, if a performance fee arises, this is calculated on the NAV before the adjustment mechanism is applied.

### **B Accounting methods**

Income is recorded on a cash accounting basis.

Trading fees are recorded in the Sub-fund’s specific accounts and are not added to the price.

The weighted average cost price method is used for the settlement of securities. For derivative products, however, the FIFO (First In, First Out) method is used.

Additions to the portfolio are recorded at their acquisition price excluding fees, and disposals are recorded at their sale price excluding fees.

## **VII REMUNERATION**

Details of the remuneration policy are available at [www.h2o-am.com](http://www.h2o-am.com).

\* \* \*

## **SUB-FUND: H2O EUROAGGREGATE**

□ **ISIN CODE:**

<b><u>Shares</u></b>	<b><u>ISIN code</u></b>
<b>SI-A</b>	FR0011007459
<b>SI-B</b>	FR0011007475
<b>R</b>	FR0011007418
<b>N</b>	FR0012087799
<b>I</b>	FR0013342540

□ **CLASSIFICATION:**

International bonds and other debt securities

□ **HOLDING OF UNITS OR SHARES OF OTHER UCIs (UCITS OR AIFs) OR INVESTMENT FUNDS:**

The Sub-fund invests up to 10% of its net assets in units or shares.

□ **MANAGEMENT OBJECTIVE:**

The Sub-fund's objective is to achieve a performance that is:

- 1% per annum over the capitalised €STR benchmark index over the recommended investment period for SI-A shares, after deduction of operating and management fees;
- 0.85% per annum over said index over the same period for SI-B shares, after deduction of operating and management fees;
- 0.75% per annum over said index over the same period for I shares, after deduction of operating and management fees;
- 0.65% per annum over said index over the same period for N shares, after deduction of operating and management fees;
- 0.15% per annum over said index over the same period for R shares, after deduction of operating and management fees

For information purposes only, the Sub-fund's performance may be compared ex post to that of the euro-denominated Bloomberg Barclays Euro Aggregate 3–5 Year Total Return index.

□ **BENCHMARK:**

Benchmark:

- Capitalised €STR + 1% per annum for SI-A shares,
- Capitalised €STR + 0.85% per annum for SI-B shares,
- Capitalised €STR + 0.75% per annum for I shares,
- Capitalised €STR + 0.65% per annum for N shares,
- Capitalised €STR + 0.15% per annum for R shares.

Daily capitalised ESTER (Overnight Indexed Swap or OIS method) + 2%

The ESTER rate (Euro Short-Term Rate) corresponds to the reference rate of the Euro (EUR) interbank market. It is calculated by the European Central Bank.

The benchmark administrator is the European Central Bank.

The benchmark is available on the website:

[https://www.ecb.europa.eu/stats/financial\\_markets\\_and\\_interest\\_rates/euro\\_short-term\\_rate/html/index.en.html](https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/euro_short-term_rate/html/index.en.html).

□ **INVESTMENT STRATEGY:**

**1. Strategies employed**

To achieve the management objective, several strategies will be implemented on the interest rate and currency markets, in particular a global macro strategy and an active cash management strategy. The management style in place will be uncompromisingly focused on performance.

This performance objective will be sought within a maximum ex ante Value at Risk (VaR) of 5% over 20 days, with a confidence interval of 99%.

**SFDR:**

With reference to the regulation known as the “SFDR Regulation” (Regulation (EU) 2019/2088 of the European Parliament of 27 November 2019 on sustainability-related disclosures in the financial services sector), this Sub-fund is not covered by either Article 8 or by Article 9 of SFDR, and consequently forms part of the category of funds covered by Article 6.

The main criteria taken into consideration in investment decisions are macro-economic analysis, the analysis of capital flows and the relative valuation of the markets.

Sustainability risks (as defined in the SFDR and the definition for which is reproduced in the Risk Profile section below) are integrated by means of systematic exclusions that are based on the regulations in force and on those sectors and countries that are subject to international sanctions.

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company’s compliance department for any investment linked to issuers based in countries defined as “high-risk” with regard to money laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU’s lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

The Management Company has adopted a strict controversial weapons and sector exclusion policy, which can be found on its website.

The UCITS is not currently able to integrate the Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, owing to:

- a lack of available reliable data;
- use of derivative financial instruments for which the PAIs have not yet been integrated or defined.

### **1.1. Global macro strategy**

The global macro strategy is uncompromisingly focused on performance, combining strategic and tactical positions and arbitrages on all interest rate and international currency markets.

The Sub-fund's performance has stronger links to relative trends on the markets (relative and arbitrage positions) than to the general direction of these markets (directional positions).

For each asset class, the exposure is decided first and separately from the other asset classes. The asset allocation is therefore a consequence of these exposure choices.

The investment strategy is based on a "top-down" approach and relies in particular on macroeconomic analysis, an analysis of capital flows and relative market valuations.

The overall modified duration of the portfolio will range from 0 to +6.

#### **Management of OECD government bonds:**

1. Active management of the portfolio's exposure to global bond market risk (in modified duration);
2. Allocation of the portfolio's modified duration (positive or negative) as stipulated above among the four main OECD government bond markets (the United States for the dollar zone, Germany for the Eurozone, the United Kingdom and Japan) using relative value strategies (purchase of sensitivity on certain markets, sale of sensitivity on others);
3. Allocation of modified duration (positive or negative) as allocated on the four bond markets stipulated above over their four main curve segments [1-3 years], [3-7 years], [7-15 years] and [15-30 years]: specific use of flattening, restructuring or parallel shift strategies on these curves;
4. Selection of the issuing country within the dollar zone (the United States, Canada, Mexico, Australia and New Zealand) and the Eurozone (EMU Member States, Norway, Sweden, Denmark, Iceland, Switzerland, Poland, the Czech Republic and Hungary).

#### **Management of OECD non-government bonds and non-OECD government and non-government bonds:**

1. Active management of exposure to the overall credit risk, up to a limit of 50% of the portfolio's net assets;
2. Allocation of the credit risk over the main segments of the credit market: Investment Grade and Speculative Grade debt on the one hand, external and local debt of non-OECD countries on the other;
3. Selection of issuers in each of these segments.

### **Currency management:**

1. Strategic exposure to the US dollar: purchase or sale of the US dollar against all other currencies;
2. Relative allocation between the three main currency “blocs”: “euro” bloc (euro, pound sterling, Norwegian and Danish krone, Swedish and Icelandic krona, Swiss franc, Polish zloty, Czech koruna, Hungarian forint); “yen” bloc (yen, South Korean won); “commodities” bloc (where currency trends are linked to commodity prices: Canadian dollar, Australian dollar, New Zealand dollar and South African rand);
3. Allocation within each bloc by buying and selling each of the currencies comprising the bloc;
4. Diversification among non-OECD market currencies.

### **1.2. Active cash management**

The objective is to achieve a higher return on this part of the portfolio than that of the money market, with a view to the diversification of issuers, through a strategy of arbitrage on liquidity and duration.

This Sub-fund performance objective will be sought within a maximum ex ante Value at Risk (VaR) of 5% over 20 days, with a confidence interval of 99%. The Sub-fund’s management also targets, by way of example, an average annual ex post volatility of [3%; 5%] over the investment horizon.

The construction of the Sub-fund’s portfolio seeks to maximise its capacity to take advantage of the sharp variations in the market within the constraints of the Risk Budget and a daily trading liquidity.

<b>Modified duration range for interest rates</b>	<b>Base currency of securities</b>	<b>Currency risk permitted</b>	<b>Geographical area of the Issuers to which the Sub-fund is exposed</b>
Between 0 and +6	All currencies	Up to 150%	All geographical areas

\*Calculated as a % of the Sub-fund’s net assets

## **2. Description of asset classes and forward financial instruments in which the Sub-fund intends to invest and their contribution to the achievement of the management objective.**

### **2.1. Debt securities, similar securities and financial instruments:**

#### **Money market instruments:**

The Sub-fund may invest up to 100% of its net assets in:

- Money market instruments (Treasury Bills, annual interest Treasury Bills, commercial paper, Euro Commercial Paper and money market UCITS),
- Reverse repurchase agreements,
- Deposits.

#### **Bond market instruments:**

- Up to 100% of the net assets in bonds issued or guaranteed by OECD Member States with no rating restrictions;

- Up to 40% of the net assets in non-government bonds issued by companies with their registered office in an OECD country.  
The Investment Manager relies on its teams and its own methodology to appraise credit risk.

In addition to this appraisal, the securities in question are required to have a rating of “Investment Grade” according to the Investment Manager’s criteria at the time of their acquisition (for example, higher or equal to BBB- according to the Standard & Poor’s or Fitch Ratings rating scale or Baa3 according to Moody’s scale).

If the issue is rated simultaneously by the three agencies at the time of purchase, at least two of the three ratings must be “Investment Grade”. If the issue is only rated by two rating agencies, at least one of the two ratings must be “Investment Grade”.

If the issue is rated by only one agency, the rating must be “Investment Grade”.

If an issue is unrated, the issuer’s rating will be taken into account.

In addition, when the rating of an issuer of a security already present in the portfolio deteriorates and falls below the minimum “Investment Grade” rating (equivalent to a minimum rating of BBB- according to Standard & Poor’s and Fitch or Baa3 according to Moody’s), the Investment Manager will examine the case for keeping the securities in the portfolio or disposing of them, while maintaining the interests of the shareholders as its principal criterion.

- Up to 20% of the net assets in Asset-Backed Securities or Mortgage-Backed Securities (ABS – securitisation of portfolios of non-mortgage loans such as consumer credit, automotive credit and credit cards, and MBS – securitisation of mortgage loan portfolios).

The Investment Manager relies on its teams for the appraisal of credit risk and uses its own methodology to select or sell a security without relying exclusively or systematically on credit ratings.

In addition to this appraisal, these securities are required to have a rating at acquisition equivalent to:

- AA according to Standard & Poor’s or Fitch Ratings,
- Aa2 according to Moody’s,

or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated simultaneously by the three agencies at the time of purchase, at least two of the three ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated by only two rating agencies, at least one of the two ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If the issue is rated by only one agency, the rating must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager’s analysis.

If an issue is unrated, the issuer’s rating will be taken into account.

The Sub-fund may, however, continue to hold ABS and MBS for which the initial rating has subsequently been downgraded, subject to a minimum rating set by the Investment Manager corresponding to AA/Aa2 according to Standard & Poor’s, Fitch Ratings or Moody’s or an equivalent rating in accordance with the Investment Manager’s analysis. The Investment Manager will assess the case for keeping the securities in the portfolio or disposing of them, whilst maintaining the interests of shareholders as the principal criterion.

- Up to 20% of the assets in OECD corporate bonds rated “Speculative Grade” at purchase, and non-OECD government and corporate bonds with no ratings restrictions, issued in G4 currencies (USD, EUR, GBP and JPY) or in local currencies.
- Up to 10% of the assets in contingent convertible bonds.

## 2.2. Currencies

The Sub-fund may be exposed to all currencies, both OECD and non-OECD, through both purchases and sales. The risk associated with currency purchases and sales will be actively managed within a total non-euro commitment limit of 150% of the assets.

<b>Reminder of the main limits for investment in bonds (<i>ratings applicable at time of purchase</i>) &amp; currencies</b>	
Overall modified duration range	[-0; +6]
OECD government bonds	Maximum 100% of the net assets
OECD non-government bonds rated “Investment Grade” at purchase	Maximum 40% of the net assets
of which securitised bonds (ABS & MBS) rated at least AA/Aa2	Maximum 20% of the net assets
Non-OECD government bonds or OECD non-government bonds rated “Speculative Grade” at purchase, or non-OECD non-government bonds	Maximum 20% of the net assets
OECD and non-OECD currencies	All currencies

## 2.3. Specific instruments: shares/units in investment funds

On an ancillary basis, with a view to investing its liquid assets, the Sub-fund may be exposed to 10% of its assets in shares or units of the following UCIs/AIFs/investment funds, particularly money market UCIs:

UCITS under French law*	X
UCITS under European law*	X
AIFs under French law which comply with Article R. 214-13 of the French Monetary and Financial Code*	X
European AIFs that comply with the conditions of Article R. 214-13 of the French Monetary and Financial Code	X
Investment funds under foreign law which comply with Article R. 214-13 of the French Monetary and Financial Code	X

\*These UCITS/AIFs/investment funds may not hold more than 10% of their assets in UCITS/AIFs/investment funds.

The UCIs held by the Sub-fund may be managed by the Management Company or a legally affiliated company.

## 2.4. Derivatives

The investment process includes the use of forward financial instruments, whether conditional or otherwise, traded on regulated, organised or over-the-counter markets.

These are an alternative to bearer securities, especially in times of cash flow movement associated with subscriptions/redemptions or in specific circumstances such as major market fluctuations.

The table below details the Sub-fund’s operating conditions regarding derivatives.

## TABLE OF DERIVATIVES

<i>Type of instruments used</i>	<b>MARKET TYPE</b>			<b>RISK TYPE</b>					<b>OPERATION TYPE</b>			
	<i>Admission to regulated</i>	<i>Organised markets</i>	<i>Over-the-counter markets</i>	<i>Equity</i>	<i>Interest rates</i>	<i>Exchange rate</i>	<i>Credit</i>	<i>Other risk(s)</i>	<i>Hedging</i>	<i>Exposure</i>	<i>Arbitrage</i>	<i>Other strategy(-)</i>
<b>Futures on</b>												
<i>Equities</i>												
<i>Interest rates</i>	X	X			X			X	X	X	X	
<i>Exchange rate</i>	X	X				X		X	X	X	X	
<i>Indexes</i>	X	X		X	X	X	X	X	X	X	X	
<b>Options on</b>												
<i>Equities</i>												
<i>Interest rates</i>	X	X	X		X			X	X	X	X	
<i>Exchange rate</i>	X	X	X			X		X	X	X	X	
<i>Indexes</i>	X	X	X	X				X	X	X	X	
<b>Swaps</b>												
<i>Equities</i>												
<i>Interest rates</i>			X		X			X	X	X		
<i>Exchange rate</i>			X			X		X	X			
<i>Indexes</i>												
<b>Forward foreign exchange</b>												
<i>Currency(-ies)</i>			X			X		X	X	X	X	
<b>Credit derivatives</b>												
<i>Credit Default Swap (CDS)</i>			X				X	X	X	X	X	
<i>First-to-default</i>												
<i>First-loss credit default swap</i>												

\*See the Investment Manager's policy on order execution at [www.h2o-am.com](http://www.h2o-am.com)

The Sub-fund will not use total return swaps.

### 2.5. Information relating to over-the-counter financial contracts

Counterparties consist of leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available on request from the Investment Manager. These transactions are systematically covered by a signed contract between the UCITS and the counterparty that defines the procedures for reducing counterparty risk.

The counterparty/counterparties does/do not have any discretionary decision-making powers over the composition or management of the UCITS investment portfolio or the assets underlying the derivative.

## 2.6. Securities with embedded derivatives

**TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES**

<i>Type of instruments used</i>	RISK TYPE					OPERATION TYPE			
	Equity	Interest rates	Exchange rate	Credit	Other risk(s)	Hedging	Exposure	Transfer	Other strategy(-ies)
<b>Warrants on</b>									
Equities									
Interest rates									
Exchange rate									
Indexes									
<b>Subscription warrants</b>									
Equities									
Interest rates									
Equity link									
<b>Convertible bonds</b>									
Exchangeable bonds									
Convertible bonds									
Contingent convertible bonds	X	X		X	X		X		
<b>Callable interest rate products</b>		X	X	X	X	X	X	X	
<b>Puttable interest rate products</b>		X	X	X	X	X	X	X	
<b>Structured EMTNs/MTNs</b>									
Structured MTNs									
Structured EMTNs									
Credit-linked notes (CLN)									
<b>Other (to be specified)</b>									

\*See the Investment Manager's policy on order execution at [www.h2o-am.com](http://www.h2o-am.com)

## 2.7. Deposit

The Sub-fund may make deposits with a maximum term of twelve months. These deposits, which will enable the Sub-fund to manage all or part of its cash, help achieve its management objective.

## 2.8. Cash and cash equivalents

The Sub-fund may hold cash and cash equivalents to the extent required for managing these flows.

## 2.9. Cash borrowings

The Sub-fund may borrow cash up to a limit of 10% of its assets if its cash account temporarily moves into a liability position as a result of its transactions (ongoing investments and divestments, subscription/redemption transactions, etc.).

## 2.10. Transactions involving temporary acquisition/disposal of securities

The Sub-fund may use temporary purchases or sales of securities (also called securities financing transactions) subject to a maximum commitment of 100% of net assets. It is expected that 50% of the assets under management will be subject to securities financing transactions.

<b>Types of transactions used</b>	
Repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Other	

<b>Types of operation, all of which must be limited to achieving the management objective</b>	
Cash management	X
Optimisation of the Sub-fund's earnings and performance	X
Other	

## 2.11. Information on the use of temporary purchases/sales of securities

The purpose of using temporary sales of securities is to obtain an additional return for the UCITS and therefore to contribute to its performance. Furthermore, the UCITS may enter into reverse repurchase agreements as part of the reinvestment of cash collateral and/or into repurchase agreements to meet liquidity needs.

These transactions may involve all the assets of the UCITS. Temporary purchases and sales of securities will be guaranteed pursuant to the principles set out under "Contracts constituting collateral" below.

## 2.12. Contracts constituting collateral

In connection with the conclusion of financial contracts and/or securities financing transactions, the UCITS may receive/pay collateral in the form of a transfer of the full ownership of securities and/or cash.

Securities received as collateral must meet the criteria laid down by the regulations and must be granted by credit institutions or other entities that meet the legal, country and other financial criteria set out in the French Monetary and Financial Code.

The level of collateral and the discount policy are set by the Investment Manager's eligibility policy for collateral in accordance with the regulations in force, and include the following categories:

- Cash collateral in various currencies according to a predefined list, such as the EUR and USD;
- Collateral as debt securities or equity securities on the basis of a specific designation.

The eligibility policy for collateral explicitly defines the level of collateral required and the discounts applied to each type of collateral on the basis of rules that depend on their specific characteristics. In accordance with the regulations in force, it also specifies the rules for the diversification of risks, correlation, valuation, credit quality and regular stress tests on the collateral's liquidity.

In accordance with the conditions set out in the regulations, in the event that collateral is received in cash, it may only be:

- Placed on deposit;
- Invested in high-quality government bonds;
- Used in reverse repurchase agreements;
- Invested in short-term money market Undertakings for Collective Investment (UCI).

Collateral received other than in cash may not be sold, reinvested or pledged as security.

In accordance with the valuation rules laid down in this prospectus, the Management Company will conduct a daily valuation of collateral received on a mark-to-market basis. Margin calls will be made on a daily basis.

The collateral received by the UCITS will be held by the UCITS depository or, failing that, by any third-party depository that is subject to prudential supervision and that has no connection with the provider of the collateral.

The risks associated with securities financing transactions, financial contracts and the management of inherent collateral are described in the risk profile section.

### □ **TAXONOMY (REGULATION EU 2020/852):**

The underlying investments of the Sub-fund do not take into account the EU criteria set out in the Taxonomy Regulation for environmentally sustainable economic activities.

□ **RISK PROFILE:**

Your money will be mainly invested in financial instruments selected by the Management Company. These instruments will be subject to market trends and risks.

The net asset value may vary by significant amounts due to the financial instruments included in the portfolio.

**Discretionary management risk:** the Sub-fund's discretionary management style relies on anticipating the development of the various interest rate and currency markets. Therefore, there is a risk that the Sub-fund may not be invested in the best-performing markets at all times.

**Capital risk:** the Sub-fund is not covered by any guarantee or protection. Therefore, the capital initially invested may not be repaid in full.

**Volatility risk:** volatility will be decorrelated from the performance of the traditional bearer securities markets.

Consequently, if the manager expects an increase in volatility but volatility decreases or, conversely, the manager expects a decrease in volatility but volatility increases, there is a risk that the Sub-fund's net asset value may decrease.

**Arbitrage risk:** arbitrage is a technique that takes advantage of price differences observed (or expected) between markets and/or sectors and/or securities and/or currencies and/or instruments. In the event of an unfavourable outcome in such arbitrage transactions (false expectations: rises in the case of sales transactions and/or falls in the case of purchase transactions), the net asset value of the Sub-fund may decrease.

**Currency risk:** this is the risk of a fall in the investment currencies against the euro, the portfolio's reference currency. If a currency falls against the euro, the net asset value may decrease.

**Interest rate risk:** this is the risk of a fall in the value of interest rate instruments due to fluctuations in interest rates. When interest rates rise or fall, the net asset value may decrease sharply. Modified duration measures the impact of a change in interest rates on the valuation of the Sub-fund. Therefore, if the Sub-fund has a modified duration of close to 10, a 1% rise in real rates will cause the Sub-fund's net asset value to decrease by 10%, while a 1% fall in real rates will cause the Sub-fund's net asset value to increase by 10%.

**Credit risk:** this is the risk of a variation in credit spreads arising from a deterioration in the quality of the paper or a default by one or more issuers present in the portfolio. Depending on the direction of the UCITS transactions, a decrease (in the event of a purchase) or an increase (in the event of a sale) in the value of the debt securities to which the UCITS is exposed may lead to a decrease in its net asset value.

Under market conditions that have deteriorated, their valuation may fluctuate significantly and have a negative impact on the net asset value.

This risk may be intensified by a lack of liquidity on the market for all bonds, particularly speculative bonds (rated Speculative Grade).

In the case of ABS (Asset-Backed Securities) and MBS (Mortgage-Backed Securities), credit risk results from both the intrinsic quality of the underlying assets, which may be of various types (consumer loans, mortgages, SME loans, trade receivables, etc.) and from specific risks, particularly those associated with the occasionally complex legal structure and the operators involved in the transaction.

If this risk occurs, it may lead to a decrease in the Sub-fund's net asset value.

**Counterparty risk:** the Fund uses over-the-counter financial contracts and/or temporary purchases and sales of securities. These transactions, entered into with one or more counterparties, potentially expose the Sub-fund to the risk of default of any of these counterparties, which may cause the latter to default on payment.

**Risk associated with emerging market securities:** the securities of these markets may be difficult to trade or may even temporarily cease to be tradable, due in particular to a lack of trading on the market or to regulatory restrictions. As a result, holding such securities may result in departures from the Sub-fund's normal operation in accordance with UCITS regulations, if the interests of investors so dictate. Moreover, since downward movements on emerging markets may be faster and more pronounced than on developed markets, the net asset value may decrease more sharply and rapidly.

**Overexposure risk:** in order to calculate global risk, risk budgets are determined for the various strategies. The UCITS will therefore have variable levels of exposure to the various types of risk stated in this prospectus, while remaining in compliance with the Value-at-Risk (VaR) defined in the investment strategy.

The level of exposure depends in particular on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to decrease faster and/or to a greater extent than the markets underlying these risks.

**Risks linked to temporary purchases and sales of securities and the management of collateral:** temporary purchases and sales of securities and the collateral associated with them are likely to create risks for the UCITS such as (i) counterparty risk (as described above), (ii) liquidity risk (as described above) and, where applicable, risks linked to the reuse of collateral, i.e. primarily the risk that the UCITS might be unable to return the collateral it received to the counterparty, when collateral is received in the form of securities, or reimburse the counterparty for collateral received in cash.

**Risks related to investments in contingent convertibles:** the Sub-fund may invest in subordinated bonds such as contingent convertibles, which are fixed income securities that include an option to convert into shares at the initiative of the issuer in the event of a deterioration of its financial position. In addition to the credit risk and interest rate risk inherent in bonds, the exercise of this conversion option may cause the Sub-fund's net asset value to decrease more significantly than in the case of conventional bonds from the issuer.

**Sustainability risk:** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

□ **TARGET SUBSCRIBERS AND TYPICAL INVESTOR PROFILE:**

R, N and I shares are intended for all subscribers.

The R share is specifically intended for individuals.

SI-A, SI-B and I shares are specifically intended for institutional investors.

N shares are specifically intended for private individuals investing through distributors, financial advisers, platforms or other intermediaries (collectively, "Intermediaries") under a separate contract or a fee-based contract between the investor and an intermediary.

**Minimum recommended investment period:** two years or more.

Subscribers residing in the territory of the United States of America are not permitted to subscribe to this UCITS.

In accordance with applicable EU regulations<sup>5</sup> introduced on 12 April 2022, and for as long as these remain in force, subscribers (natural persons and legal entities) of Russian or Belarusian nationality and/or residing or established in Russia or Belarus are not permitted to subscribe to this UCITS, without prejudice to any exceptions set out in these regulations.

The amount that it would be reasonable to invest in the Sub-fund depends on the degree of risk the investor is willing to take. This amount also depends on the unitholder's personal profile, particularly their financial situation and the current composition of their financial assets.

**Building and holding a financial asset portfolio implies a diversification of investments.**

It is also recommended that anyone wishing to subscribe to shares in the Sub-fund contact their usual adviser in order to obtain information or advice tailored to their personal circumstances.

We strongly recommend that potential investors ensure their investments are sufficiently diversified and not exposed solely to the risks of this Sub-fund.

□ **PROCEDURES FOR DETERMINING AND ALLOCATING INCOME**

The Sub-fund is an accumulation sub-fund.

□ **CHARACTERISTICS OF THE SHARES:**

Shares	ISIN code	Base currency	Splitting of shares	Minimum initial investment	Minimum subsequent investment
R	FR0011007418	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share
SI-A	FR0011007459	EUR	Ten-thousandths	EUR 100,000,000	One ten-thousandth of a share
SI-B	FR0011007475	EUR	Ten-thousandths	EUR 100,000,000	One ten-thousandth of a share
N	FR0012087799	EUR	Ten-thousandths	One ten-thousandth of a share	One ten-thousandth of a share

<sup>5</sup> As at 1 June 2022, Regulation (EU) 833/2014, as amended, Regulation (EU) 398/2022 and Council Decision 2022/579.

I	FR0013342540	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a share
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□ **SUBSCRIPTION AND REDEMPTION PROCEDURES**

Subscription and redemption orders are cleared at 12:30 p.m. on each net asset value calculation day (D). These orders are executed on the basis of the net asset value established on D and calculated on D+1 business day.

Investors intending to purchase shares and shareholders wishing to redeem shares are requested to contact their normal marketing agent directly with regard to the deadline for the receipt of their subscription or redemption applications, as this may be prior to the aforementioned clearing deadline.

Orders are executed in accordance with the table below:

For shares denominated in EUR and GBP:

D	D	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Clearing of subscription orders before 12:30 p.m. CET <sup>1</sup>	Clearing of redemption orders before 12:30 p.m. CET <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution.

For shares denominated in other currencies:

D	D	D: NAV calculation day	D+1 business day	D+3 business days	D+3 business days
Clearing of subscription orders before 12:30 p.m. CET <sup>1</sup>	Clearing of redemption orders before 12:30 p.m. CET <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution.

□ **DATE AND FREQUENCY OF NET ASSET VALUE CALCULATION**

The net asset value is calculated on every Euronext Paris trading day, with the exception of French official public holidays.

The net asset value may be obtained from the Management Company:

H2O AM EUROPE

10 Old Burlington Street, London W1S 3AG, United Kingdom

Website: [www.h2o-am.com](http://www.h2o-am.com)

□ **FEES AND COMMISSION**

Subscription and redemption fees:

<b>Fees charged to the investor, payable at the time of subscription or redemption</b>	<b>Base</b>	<b>Rate scale</b>
Maximum subscription fee not retained by the UCITS	Net asset value × Number of shares	<b><u>R, I and N shares</u></b> 1% maximum <b><u>SI-A and SI-B shares</u></b> 3% maximum
Subscription fees retained by the UCITS	Net asset value × Number of shares	None
Maximum redemption fee not retained by the UCITS	Net asset value × Number of shares	None
Redemption fee retained by the UCITS	Net asset value × Number of shares	None

Fees charged to the Sub-fund:

These fees cover:

- Financial management fees;
- Operating expenses and other services;
- Maximum indirect charges (fees and management expenses) if the UCITS invests more than 20% in other UCITS or investment funds;
- Transfer fees;
- Performance fees.

Fees charged to the UCITS	Base	Rate scale
Financial management fees	Net assets	Maximum rate  <b>R shares</b> 1.10% incl. tax <b>SI-B shares</b> 0.40% incl. tax <b>SI-A shares</b> 0.25% incl. tax <b>N shares</b> 0.60% incl. tax <b>I shares</b> 0.50% incl. tax
Operating expenses and other services	Net assets	Maximum rate  <b>For all shares:</b>  0.15% incl. tax
Transfer fees	Deducted from each transaction or operation, allocated proportionately between beneficiaries	A maximum rate scale of 0.005% per month on financial instruments and a maximum of EUR 400 per month for the administration of over-the-counter transactions.
Performance fee	Positive difference between valued assets and reference assets	<b>SI-A shares</b> 25%, incl. tax, of the performance relative to the index shown below + 1% <b>N shares</b> 25%, incl. tax, of the performance relative to a maximum of zero and the index shown below + 0.65% <b>R shares</b> 25%, incl. tax, of the performance relative to a maximum of zero and the index shown below + 0.15% <b>I shares</b> 25%, incl. tax, of the performance relative to a maximum of zero and the index shown below + 0.75% <b>SI-B shares</b> None

In particular, external distributors and delegated financial managers may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees.

The following costs may be added to the fees charged to the UCITS and shown above:

- Exceptional and non-recurring debt recovery costs (e.g. Lehman Brothers proceedings) or costs to enforce a right (e.g. class action proceedings). Information on these fees is also described ex post in the annual report of the UCITS.

The operating expenses and other services correspond to the internal or external fees of the Management Company relating to:

#### I. UCI registration and benchmarking fees

- All costs related to the registration of the UCI in other Member States (including costs charged by advisers (lawyers, consultants etc.) for carrying out marketing procedures with the local regulator on behalf of the portfolio management company);
- UCI listing fees and publication of net asset values for investor information;
- Distribution platform fees (excluding retrocessions); agents in foreign countries involved in distribution: local transfer agent, paying transfer agent, facility agent etc.

#### II. Customer and distributor information costs

- Costs of compiling and distributing regulatory documentation and reports;
- Costs related to the disclosure of regulatory information to distributors;
- Provision of information to unitholders by any means (publication in the press, other);
- Information specific to direct and indirect unitholders: letters to unitholders etc.;
- Website administration costs;
- Translation fees specific to the UCI.

#### III. Data charges

- Licensing costs of the benchmark index used by the UCI;
- Costs of data used for redistribution to third parties (e.g. reuse of issuer ratings, index compositions, data etc.) ;
- Costs arising from specific client requests (e.g. a request to add two specific non-financial indicators to the reporting as requested by the client);
- Data charges for single products that cannot be amortised over several portfolios. Example: an impact fund requiring specific indicators;
- Audit fees and label promotion costs (e.g. SRI label, Greenfin label).

#### IV. Custodian, legal, audit, tax fees etc.

- Statutory auditors' fees;
- Fees related to the custodian;
- Fees related to account-holders;
- Fees related to the delegation of administrative and accounting management;
- Audit fees;
- Tax expenses including lawyers and external experts (recovery of withholding taxes on behalf of the Fund, local tax agent etc.);
- Legal fees specific to the UCI;
- Guarantee fees;
- Costs of creating a new Sub-fund that can be amortised over five years.

#### V. Fees related to compliance with regulatory obligations and regulatory reporting

- Costs of preparing regulatory reports to the regulator specific to the UCI (MMF reporting, AIFM, ratio overruns etc.);
- Mandatory professional association contributions;

- Contributions due for the management of this UCITS pursuant to 4° of II of Article L. 621-5-3 of the French Monetary and Financial Code;
- Exceptional and non-recurring taxes, fees and governmental duties (in relation to the UCITS);
- Operating fees for monitoring threshold crossings;
- Operating fees for the deployment of voting policies at Shareholders' Meetings.

#### VI. Operating expenses

- Fees for compliance monitoring and control of investment restrictions where such restrictions arise from specific customer requests and are specific to the UCI.

#### VIII. Fees related to customer knowledge

- Operating fees for customer compliance (due diligence and creation/updating of customer files).

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

#### **Performance fee:**

The performance of each of the Sub-fund's share classes is calculated on the basis of changes in the net asset value (NAV) of this share class.

The performance fee that applies to a particular share class is based on a comparison of the valued assets of this share class with its reference assets (model based on a benchmark). Any underperformance of the Fund with respect to the benchmark must be offset before performance fees become due, regardless of the duration of such underperformance.

The valued assets, reference assets and High-Water Mark are calculated for each share class and are understood as follows:

- The **valued assets** are equal to the amount of the Sub-fund's assets in the share class concerned, valued in accordance with the rules applicable to the assets and taking into account the actual operating and management costs corresponding to this share class.
- The **High-Water Mark** ("HWM") corresponds to the Sub-fund's highest NAV for the share class concerned, recorded at the end of each observation period since the date the relevant share class was launched and for which performance fees have been debited.
- During the observation period and each time the net asset value is calculated, the **reference assets** are adjusted for the amounts of subscriptions/redemptions applicable to this share class and valued in accordance with the performance of the relevant benchmark. At the beginning of the observation period: (i) if the valued assets at the end of the previous observation period are higher than the reference assets on that date, the reference assets are then equal to the HWM multiplied by the number of shares in the share class concerned on that same date; (ii) if the valued assets at the end of the previous observation period are lower than or equal to the reference assets on that date, or during the observation period, the reference assets are adjusted for subscriptions/redemptions and valued in accordance with the performance of the reference index applicable to the share class.

The reference rate is equal to the daily capitalised €STR, plus:

- 1% per year for SI-A shares.
- 0.75% per year for I shares,
- 0.65% per year for N shares,
- 0.15% per year for R shares.

As a reminder, the data concerning the past performance of the reference indicator are mainly available in the KIIDs, monthly reports and the annual report of the UCITS available on the following website: [www.h2o-am.com](http://www.h2o-am.com)

The Sub-fund's performance is calculated according to changes in the net asset value of each share class.

Until 31 December 2021, the observation periods were defined as follows:

- the initial observation period: For R, SI-A and N shares: from 16 January 2015 to the last trading day of June 2016;
- For I shares: from 2 July 2018 to the final trading day in June 2019;
- For subsequent observation periods: from the first trading day of July to the last trading day of June of the following year, by chaining of the H2O EuroAggregate open-ended mutual fund (25 August 2020).

The observation period is now defined as follows:

- Initial observation period: for SI-A, R, N and I) shares: from ----- to the last trading day of June 2022.
- For subsequent observation periods: from the first trading day in July to the last trading day in June of the following year.

If, during the observation period, the valued assets of a particular share class exceed the reference assets as defined above, the performance fee will represent up to 25% of the difference between these two asset values. A provision for performance fees is then taken into account when calculating the net asset value.

If, during the observation period, the valued assets of a particular share class are lower than the reference assets, the performance fee will be zero. In this case, any previously approved provision will be readjusted by a reversal.

The final performance fee will not be calculated until the end of the relevant observation period. The fee is then "crystallised" and, as such, may be charged. In the event of redemption during the observation period, the portion of the provision corresponding to the number of shares redeemed accrues permanently to the Management Company and may be charged before the end of the observation period in progress.

As performance fees are based on the performance of each share class, they are calculated daily and taken into account when calculating the NAV of the share class concerned. This method cannot therefore ensure that the actual performance of each investment is individually monitored, which may, in some cases, result in residual inequity between shareholders.

In other words, and by way of example, any investors subscribing during a period of overperformance when a performance fee has been provisioned “lose less” if the net asset value falls, as they benefit from mitigation as a result of drawing on the provision, even though their investment did not contribute to establishing this provision. At the same time, investors who have already invested will not benefit from the full provision established since the beginning of the observation period in question (or from their subscription date, if this is after the beginning of this period).

Similarly, any investors subscribing during a period of underperformance when no performance fees have been provisioned “gain more” if the net asset value increases, as they benefit from their investment appreciating, without having contributed to establishing provisions as long as the valued assets of the share class are lower than the reference assets. Nevertheless, for all unitholders, these investments reduce the returns required to make up the difference between the valued assets and the reference assets. Performance fees will therefore be provisioned sooner.

Furthermore, if the performance of a particular share class over a given observation period is negative, performance fees may be charged under certain circumstances, if the performance of the reference index is worse than that of the share class in question.

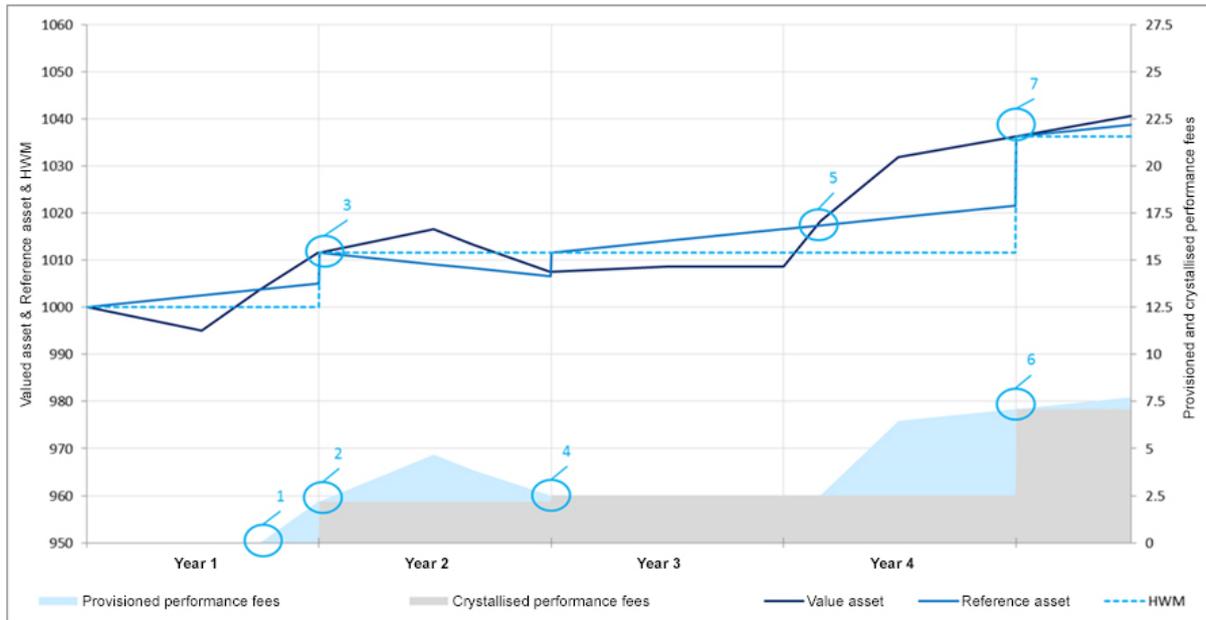
The simulations below illustrate several scenarios incorporating the assumptions of a lack of subscription/redemption flows for a given share class and zero performance of the reference assets (i.e. the performance of the reference index is zero).

**Year 1:** The share ends the first year with a positive performance. The performance fee, which was provisioned when the valued assets were higher than the reference assets (point 1), is then crystallised (point 2). The HWM is adjusted to the NAV recorded on the last day of the observation period (point 3).

**Year 2:** At the start of the second period, the reference assets are adjusted to the new HWM multiplied by the number of shares. At the end of the period, the Fund ends with a negative performance, but higher than that of the reference index. The performance fee, which was provisioned when the valued assets were higher than the reference assets, is then crystallised (point 4). The HWM remains unchanged.

**Year 3:** At the start of the observation period, the reference assets are adjusted to the HWM multiplied by the number of shares. Performance is positive, but the valued assets are still lower than the reference assets. The Fund makes no provisions for performance fees and no performance fee is crystallised at the end of the financial year. The HWM remains unchanged.

**Year 4:** At the start of the observation period and since, at the end of the previous year, the valued assets were lower than the reference assets, the reference assets were adjusted for subscriptions/redemptions and valued according to the performance of the benchmark, as during the observation period. Positive performance means that the valued assets are higher than the reference assets again (point 5) and the underperformances of year three can be offset. From this date on, provisions are once again made for performance fees. At the end of the observation period, the performance fee is crystallised (point 6) and the HWM is adjusted to the NAV recorded on that date (point 7).



Information on remuneration generated by temporary purchases and sales of securities:

Any income resulting from temporary purchases and sales of securities are paid to the UCITS, net of operational costs.

Brief description of the selection procedure for intermediaries:

The Investment Manager has implemented a selection and assessment procedure for intermediaries, which takes into account such objective criteria as quality of research, commercial monitoring and execution. This procedure is available at [www.h2o-am.com](http://www.h2o-am.com)

**IX COMMERCIAL INFORMATION**

□ **PROVISION OF INFORMATION CONCERNING THE UCITS – INFORMATION PROCEDURES FOR SHAREHOLDERS:**

**DISTRIBUTION OF THE PROSPECTUS AND ANNUAL AND INTERIM DOCUMENTS**

- These documents will be sent to shareholders upon written request to:  
 H2O AM EUROPE  
 39 Avenue Pierre 1<sup>er</sup> de Serbie, 75008 Paris, France  
 Email: info@H2O-am.com

These documents will be sent out within one week.

- These documents are also available online at [www.h2o-am.com](http://www.h2o-am.com)
- Further information can be obtained from branches of the marketing agents.

**INFORMATION ON THE NET ASSET VALUE**

The net asset value can be obtained from H2O AM EUROPE, from branches of the marketing agents and at [www.h2o-am.com](http://www.h2o-am.com)

### **COMMERCIAL DOCUMENTATION**

Commercial documentation is made available to shareholders of the SICAV (*Société d'Investissement à Capital Variable* - investment company with variable capital) on the Management Company's website, [www.h2o-am.com](http://www.h2o-am.com).

### **INFORMATION IN THE EVENT OF A CHANGE IN THE SICAV'S OPERATING PROCEDURES**

Shareholders will be informed of any changes concerning the SICAV in accordance with the procedures drawn up by the AMF (*Autorité des Marchés Financiers* - the French financial markets authority).

If applicable, this information may be provided via Euroclear France and its associated financial intermediaries.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA**

Information on the procedures for taking into account criteria relating to compliance with environmental, social and governance (ESG) quality objectives can be found in the annual reports of the relevant UCITS and on the Management Company's website.

## **X INVESTMENT RULES**

The UCITS complies with the investment rules for UCITS as stipulated by the French Monetary and Financial Code.

In particular, the Sub-fund may invest up to 100% of its assets in securities guaranteed by a State, a local public authority and/or a public international organisation, provided that this 100% is spread over at least six issues, with none of them representing more than 30% of the assets.

## **XI OVERALL RISK**

The calculation method used by the Sub-fund is the absolute Value-at-Risk method.

The indicative average leverage level for the UCITS is 11. However, the UCITS may reach a higher leverage level. The indicative level of leverage for the UCITS is calculated as the sum of the nominal positions on the financial contracts that are used.

## **XII ASSET VALUATION AND ACCOUNTING RULES**

### **A) Asset valuation rules**

#### **I - Securities portfolio**

The Management Company has delegated accounting management (including the valuation of the Sub-fund's portfolio) to CACEIS FUND ADMINISTRATION.

The Sub-fund's portfolio is valued each time the net asset value is calculated and when the accounts are closed, at the closing price.

The annual accounts of the SICAV are drawn up on the basis of the final net asset value for the financial year.

The Sub-fund complies with the accounting rules and methods prescribed by current regulations and with the UCITS chart of accounts, which on the prospectus publication date are as follows:

### **Equities**

French equities are valued on the basis of the latest quoted price in the case of securities admitted to a deferred settlement system or a spot market.

Foreign equities are valued on the basis of the latest price on the Paris stock exchange, if the securities are listed in Paris, or on the first trading day of their main market, converted into EUR in accordance with the WMR rate for the currency on the valuation date.

### **Bonds**

Bonds are valued on the basis of a Bloomberg composite rate retrieved at 5:00 p.m. (Paris time) in accordance with the WMR rate for the currency on the valuation date.

### **Transferable securities**

Transferable securities, for which the price has not been recorded on the valuation date or has been adjusted, are valued by the Management Company at their likely trading value.

In the case of transferable securities that are unlisted or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Management Company adjusts its valuation on the basis of variations that seem likely in view of current events. The Statutory Auditor is informed of these valuations and the justifications for them during their audit.

Foreign securities are converted into the equivalent value in EUR in accordance with the WMR rate on the valuation date.

### **UCITS/AIFs/investment funds**

Units or shares of UCITS/AIFs are valued at the last known net asset value. Foreign Undertakings for Collective Investment carrying out valuations at times that are incompatible with the calculation of the Sub-fund's net asset value are valued on the basis of estimates supplied by the administrators of these undertakings, under the supervision and responsibility of the Management Company.

### **Negotiable debt securities**

Negotiable debt securities are valued in accordance with the following rules:

- French fixed-rate, annual interest treasury bills (*Bons du Trésor à taux fixes et à intérêt annuel* – BTANs) and fixed-rate bills (*Bons du Trésor à taux fixe* – BTFs) are valued on the basis of an average of contributed prices obtained from market makers.
- Unlisted variable-rate debt securities are valued at cost price, adjusted to take into account any potential variations in credit spreads.
- Other fixed-rate negotiable debt securities (certificates of deposit, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

In the absence of an incontestable market price, negotiable debt securities are valued by applying a yield curve, adjusted if necessary, by a margin calculated on the basis of the characteristics of the security (of the issuer).

However, negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method.

### **Temporary purchases and sales of securities**

Contracts for temporary purchases and sales of transferable securities and equivalent transactions are valued at the contract rate, adjusted for any margin calls (valued in accordance with the conditions set out in the contract).

In the case of transferable securities that are unlisted or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Management Company's Executive Board adjusts the valuation on the basis of variations that are likely in view of current events.

Certain fixed-rate transactions with a maturity of more than three months may be valued at the market price.

## **II - Futures and options transactions**

### **Organised futures and options markets**

Derivatives listed on an organised market are valued on the basis of the settlement price.

### **Swaps**

Asset swaps are valued at the market price based on the residual maturity of the asset and the valuation of the issuer's credit spread (or the trend in its rating).

Asset swaps with a maturity of three months or less are valued using the straight-line method, except in the case of an exceptional market event.

Asset swaps with a residual maturity of more than three months are valued at the market price based on the spreads indicated by the market makers. In the absence of a market maker, the spreads will be obtained by any means from the available contributors.

Other swaps are valued in accordance with the following rules:

Swaps with a maturity of three months or less are valued using the straight-line method. Swaps with a maturity of more than three months are valued using the turnover rate method using a zero coupon yield curve.

Complex instruments such as CDS, SES or complex options are valued according to their type using an appropriate method.

### **Forward exchange contracts:**

These are valued at the exchange rate for the currencies on the valuation date, allowing for the amortisation of forwardation/backwardation.

They may be valued at market price based on forward foreign exchange curves.

## **III - Off-balance sheet commitments**

Off-balance sheet commitments are valued as follows:

### **A) Commitments on futures markets:**

#### **1) Futures:**

Commitment = Reference price (the prices at 5:00 p.m. on Bloomberg, Paris time) x Nominal contract value x Quantities

With the exception of commitments under the Euribor contract traded on LIFFE, which are recorded at their nominal value.

#### **2) Swap commitments:**

##### **a) Interest rate swaps**

- Interest rate swaps with a maturity of three months or less

Secured: Nominal value + Accrued interest (interest differential)  
Unsecured: Nominal value + Accrued interest (interest differential)

□ Interest rate swaps with a maturity of more than three months

Secured:

- ° Fixed rate/Variable rate
- valuation of the fixed-rate portion at the market price
- ° Variable rate/Fixed rate
- valuation of the variable-rate portion at the market price

Unsecured:

- ° Fixed rate/Variable rate
- valuation of the fixed-rate portion at the market price
- ° Variable rate/Fixed rate
- valuation of the variable-rate portion at the market price

#### **b) Other swaps**

These will be valued at their market value.

#### **B) Commitments on options markets:**

Commitment = Quantity x Nominal contract value (portion) x Price of underlying x Delta.

#### **IV - Currencies**

Foreign currency prices are converted into EUR in accordance with the WMR rate (4:00 p.m. London time) for the currency on the day of valuation.

#### **V - Unlisted financial instruments and other securities**

- Financial instruments for which the price has not been recorded on the valuation date are valued at the most recent officially published price or at their likely trading value, under the responsibility of the Management Company;
- Foreign securities are converted into the equivalent value in EUR in accordance with the WMR rate on the valuation date;
- Financial instruments not traded on a regulated market are valued at their likely trading value, under the responsibility of the Management Company;
- Other financial instruments are appraised at their market value as calculated by the counterparties, under the supervision and responsibility of the Management Company.

The valuations of unlisted financial instruments and the other securities referred to in this paragraph, together with the justifications for them, are passed on to the Statutory Auditor during their audits.

#### **Swing-pricing mechanism of the net asset value with trigger threshold**

The Management Company has implemented a method for adjusting the net asset value (NAV) with a trigger threshold.

This mechanism consists of making investors who subscribe or redeem their shares, bear the fees related to transactions carried out on the Sub-fund's assets owing to movements (subscriptions/redemptions) in the Sub-fund's liabilities. The purpose of this mechanism, which is governed by a policy, is to protect shareholders who remain in the Sub-fund by ensuring that they bear the lowest possible fees. This results in an adjusted "swung" NAV.

This means that if, on a NAV calculation day, the total number of net subscription/redemption orders from investors across all share classes of the Sub-fund exceeds a threshold that is predetermined, based on the objective criteria set out by the Management Company as a percentage of net assets, the NAV can be adjusted upwards or downwards to take into account the readjustment costs attributable to the respective net subscription/redemption orders. If the Sub-fund issues several share classes, the NAV of each share class is calculated separately but any adjustment has the same impact, as a percentage, on all the NAVs of the Sub-fund's share classes.

The cost parameters of readjustments and of the trigger threshold are determined by the Management Company and reviewed periodically. These costs are estimated by the Management Company based on transaction fees, purchase and sale price ranges and any taxes applicable to the Sub-fund.

The adjustment mechanism will be applied at some point in the future; however, it is not possible to predict accurately when or how often the Management Company will make such adjustments.

Investors are informed that the volatility of the Sub-fund's NAV may not only reflect that of securities held in the portfolio owing to the application of the adjustment mechanism.

The "swung" NAV is the Sub-fund's only net asset value and the only one communicated to the Sub-fund's shareholders. However, in the event of a performance fee, this is calculated on the NAV before the adjustment mechanism is applied.

## **B) Accounting methods**

Income is recorded on a cash accounting basis.

Trading fees are recorded in the Sub-fund's specific accounts and are not added to the price.

The weighted average cost method is used for the settlement of securities. For derivatives, however, the FIFO (First In, First Out) method is used.

Additions to the portfolio are recorded at their acquisition price excluding fees and disposals are recorded at their sale price excluding fees.

## **VII REMUNERATION**

Details of the remuneration policy are available at [www.h2o-am.com](http://www.h2o-am.com)

## VIII ADDITIONAL INFORMATION FOR INVESTORS IN LUXEMBOURG

This addendum for investors in Luxembourg is dated 10 July 2023 and should be read in conjunction with and forms part of the prospectus dated 10 July 2023 of H2O Invest, which can change at any time.

### **Paying and information Agent**

CACEIS Bank, Luxembourg Branch, 5 Allée Scheffer, L-2520 Luxembourg.

The full prospectus, the Key Investor Information Documents, the management regulations and the annual and semi-annual reports, may be obtained, without charge, at the paying and information agent's address, CACEIS Bank, Luxembourg Branch.

### **Payment of dividends (if applicable)**

CACEIS Bank, Luxembourg Branch  
5, allée Scheffer  
L-2520 Luxembourg

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