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# PROSPECTUS

## BUY & HOLD LUXEMBOURG

an undertaking for collective investment in transferable  
securities (UCITS) in the form of an open-ended  
common  
investment fund

**December 2021**

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## 1. Information for Prospective Investors

This prospectus (the **Prospectus**) is valid only if accompanied by the latest key investor information document (**Key Investor Information Document**), the latest annual report, and also the latest semi-annual report if this was published after the latest annual report. Such documents shall be deemed to form part of this Prospectus. Prospective investors shall be provided with the latest version of the Key Investor Information Document in good time before their proposed subscription of units in Buy & Hold Luxembourg (the **Fund**).

This Prospectus does not constitute an offer or solicitation to subscribe units (**Units**) in the Fund by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. Information which is not contained in this Prospectus, or in the documents mentioned herein which are available for inspection by the public, shall be deemed unauthorized and cannot be relied upon.

Potential investors should inform themselves as to the possible tax consequences, the legal requirements and any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the subscription, holding, conversion, redemption or disposal of Units. Further tax considerations are set out in Chapter 9, Expenses and Taxes.

Prospective investors who are in any doubt about the contents of this Prospectus should consult their bank, broker, solicitor, accountant or other independent financial adviser.

This Prospectus may be translated into other languages. To the extent that there is any inconsistency between the English-language Prospectus and a version in another language, the English-language Prospectus shall prevail, unless stipulated otherwise by the laws of any jurisdiction in which the Units are sold.

Potential investors should read and consider the risk description in Chapter 7, Risk Factors, before investing in the Fund.

Some of the classes of Units (**Classes of Units**) may be listed on the Luxembourg Stock Exchange.

The management company of the Fund (the **Management Company**) will not disclose any confidential information about investors unless it is required to do so by the applicable laws or regulations.

The Units being offered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the **1933 Act**) or under any securities laws of any of the states of the United States. The Fund has not been and will not be registered under the United States Investment Company Act of 1940, as amended, nor under any other US federal laws. Therefore, the Units may not be offered or sold directly or indirectly in the United States of America, except pursuant to an exemption from the registration requirements of the 1933 Act. Further, the board of directors of the Management Company has decided that the Units shall not be offered or sold, directly or indirectly, to any ultimate beneficial owner that constitutes a U.S. Person. As such, the Units may not be directly or indirectly offered or sold to or for the benefit of "U.S. Person", which shall be defined as and include (i) a United States person as described in section 7701(a)(30) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), (ii) a U.S. person as such term is defined in Regulation S of the 1933 Act, as amended (the **Regulation S**), (iii) a person that is in the United States as defined in Rule 202(a)(30)-1 under the U.S. Investment Advisers Act of 1940, as amended, (the **Rule 202**) and (iv) and a person that does not qualify as a Non-United States Person as such term is defined in U.S. Commodities Futures Trading Commission Rule 4.7. (the **Rule 4.7**).

The Management Company has the right to refuse any transfer, assignment or sale of Units in its sole discretion if the Management Company reasonably determines that it would result in a Prohibited

Person (as defined below) holding Units, either as an immediate consequence or in the future.

Any transfer of Units may be rejected by the Central Administration and the transfer shall not become effective until the transferee has provided the required information under the applicable know your customer and anti-money laundering rules.

The term Prohibited Person means any person, corporation, limited liability company, trust, partnership, estate or other corporate body, if in the sole opinion of the Management Company, the holding of Units of the relevant Subfund may be detrimental to the interests of the existing Unitholders or of the relevant Subfund, if it may result in a breach of any law or regulation, whether Luxembourg or otherwise, or if as a result thereof the relevant Subfund or any subsidiary or investment structure (if any) may become exposed to tax or other legal, regulatory or administrative disadvantages, fines or penalties that it would not have otherwise incurred or, if as a result thereof the relevant Subfund or any subsidiary or investment structure (if any), the Management Company and/or the Fund, may become required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply.

The term Prohibited Person includes (i) any investor which does not meet the definition of eligible investors as, and if, defined for the respective Subfund in Chapter 19, Subfunds, (if any), (ii) any U.S. Person or (iii) any person who has failed to provide any information or declaration required by the Management Company within one (1) calendar month of being requested to do so.

### Data Protection Policy

The Management Company is committed to protecting the personal data of the investors (including prospective investors) and of the other individuals whose personal information comes into its possession in the context of investor's investments in the Fund.

The Management Company has taken all necessary steps, to ensure compliance with the EU Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC and with any implementing legislation applicable to them (together, the Data Protection Law) in respect of personal data processed by it in connection with investments made into the Fund. This includes (non-exclusively) actions required in relation to: information about processing of the investor's personal data and, as the case may be, consent mechanisms, procedures for responding to requests to exercise individual rights, contractual arrangements with suppliers and other third parties, arrangements for overseas data transfers and record keeping and reporting policies and procedures. Personal data shall have the meaning given in the Data Protection Law and includes any information relating to an identifiable individual, such as the investor's name, address, invested amount, the investor's individual representatives' names as well as the name of the ultimate beneficial owner, where applicable, and such investor's bank account details.

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

## 2. Buy & Hold Luxembourg – Summary of Classes of Units <sup>(1)</sup>

### Buy & Hold Luxembourg – B&H Equity

	ISIN	Reference Currency	Management Fee	Performance Fee	Central Administration Fee	Registrar and Transfer Agent Fee	Depository Fee
Class 1	LU1988110760	EUR	0.81 % p.a.;	7% p.a.	0.05% p.a. (with a minimum fee of EUR 30,000 p.a. calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a.,  plus EUR 1,000 if Performance Fee is applied.  plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level)  Depository Control & Monitoring Fee: EUR 10,000 p.a.
Class 2	LU2278574558	EUR	1.80% p.a.	7% p.a.	0.05% p.a. (with a minimum fee of EUR 30,000 p.a. calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a.,  plus EUR 1,000 if Performance Fee is applied.  plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level)  Depository Control & Monitoring Fee: EUR 10,000 p.a.
Class 3	LU2278574632	EUR	0%	0%	0.05% p.a. (with a minimum fee of EUR 30,000 p.a. calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a.,  plus EUR 1,000 if Performance Fee is applied.  plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level)  Depository Control & Monitoring Fee: EUR 10,000 p.a.

### Buy & Hold Luxembourg – B&H Flexible

	ISIN	Reference Currency	Management Fee	Performance Fee	Central Administration Fee	Registrar and Transfer Agent Fee	Depository Fee
Class 1	LU1988110844	EUR	0.66 % p.a.;	5% p.a.	0.05% p.a. (with a minimum fee of EUR 30,000 calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a.,  plus EUR 1,000 if Performance Fee is applied.  plus EUR 400 p.a. per nominee register account	0,05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level)  Depository Control & Monitoring Fee: EUR 10 000 p.a.
Class 2	LU2278574715	EUR	1.45% p.a.	5% p.a.	0.05% p.a. (with a minimum fee of EUR 30,000 p.a. calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a.,  plus EUR 1,000 if Performance Fee is applied.  plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level)  Depository Control & Monitoring Fee: EUR 10,000 p.a.
Class 3	LU2278574806	EUR	0%	0%	0.05% p.a. (with a minimum fee of EUR 30,000 p.a. calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a.,  plus EUR 1,000 if Performance Fee is applied.  plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level)  Depository Control & Monitoring Fee: EUR 10,000 p.a.

Buy & Hold Luxembourg – B&H Bond

	ISIN	Reference Currency	Management Fee	Performance Fee	Central Administration Fee	Registrar and Transfer Agent Fee	Depository Fee
Class 1	LU1988110927	EUR	0.56 % p.a.;	3% p.a.	0.05% p.a. (with a minimum fee of EUR 30,000 calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a., plus EUR 1,000 if Performance Fee is applied. plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level) Depository Control & Monitoring Fee: EUR 10,000 p.a.
Class 2	LU2278574988	EUR	1.25%	3% p.a.	0.05% p.a. (with a minimum fee of EUR 30,000 p.a. calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a., plus EUR 1,000 if Performance Fee is applied. plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level) Depository Control & Monitoring Fee: EUR 10,000 p.a.
Class 3	LU2278575019	EUR	0%	0%	0.05% p.a. (with a minimum fee of EUR 30,000 p.a. calculated at the umbrella level)	EUR 3,000 p.a. per accumulating share class p.a., plus EUR 1,000 if Performance Fee is applied. plus EUR 400 p.a. per nominee register account	0.05% (with a minimum fee of EUR 24,000 p.a. calculated at the umbrella level) Depository Control & Monitoring Fee: EUR 10,000 p.a.

- (1) This Summary of Classes of Units should not be relied upon as a substitute for reading the Prospectus;
- (2) The actual Management Fee and maximum central administration fee charged shall be disclosed in the respective annual or semi-annual report;
- (3) The performance fee is set out in Chapter 19, Subfunds;

### 3. The Fund

**Buy & Hold Luxembourg** is registered on the official list of undertakings for collective investment in transferable securities in the form of a common fund (*fonds commun de placement*) subject to Part I of the Law of December 17, 2010 relating to undertakings for collective investment, as amended from time to time (**Law of December 17, 2010**) transposing Directive 2009/65/EC of the European Parliament and of the Council of July 13, 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

The Fund has been set up at the initiative of Buy & Hold Capital SGIIC, S.A. The Fund is managed by Buy & Hold Capital SGIIC, S.A. (**Management Company**) in accordance with the management regulations of the Fund (**Management Regulations**).

The Fund's assets shall be separate from the Management Company's assets and hence shall not be liable for the obligations of the Management Company.

The Fund is an undivided collection of assets and investors (**Unitholders**) shall have equal undivided co-ownership rights to all of the Fund's assets in proportion to the number of Units held by them and the corresponding net asset value (**Net Asset Value**) of those Units. These rights shall be represented by the Units issued by the Management Company. There is no provision in the Management Regulations for any meeting of the Unitholders.

The Management Regulations of the Fund were issued on 19 August 2019 and published on the *Recueil électronique des Sociétés et Associations* (RESA) and have been amended on 16 December 2021. They may be amended by the Management Company with the approval of the Fund's depositary (**Depositary**). All amendments will be announced in accordance with Chapter 13, Information for Unitholders and will be deposited with the Registre de Commerce et des Sociétés of the Grand Duchy of Luxembourg. The Management Regulations are filed in their consolidated, legally binding form for public reference with the Commercial and Company Register of the Luxembourg District Court.

The Management Regulations shall govern the relations between the Management Company and the Unitholders, as described in this Prospectus. The subscription or purchase of Units shall imply acceptance of the Management Regulations by the Unitholder.

The Fund is an umbrella structure and therefore consists of at least one Subfund (each referred to as a **Subfund**). Each Subfund represents a portfolio containing different assets and liabilities and is considered to be a separate entity in relation to the Unitholders and third parties. The rights of Unitholders and creditors concerning a Subfund or which have arisen in relation to the establishment, operation or liquidation of a Subfund are limited to the assets of that Subfund. No Subfund will be liable with its assets for the liabilities of another Subfund.

The Management Company may, at any time, establish new Subfunds with Units having similar characteristics to the Units in the existing Subfunds. The Management Company may, at any time, create and issue new Classes of Units or types of Units within any Subfund. If the Management Company establishes a new Subfund and/or creates a new Class of Units or type of Units, the corresponding details shall be set out in this Prospectus. A new Class of Units or type of Units may have different features than the currently existing Classes of Units.

The characteristics of each possible Class of Units are further described in this Prospectus, in particular in Chapter 5, Investment in Buy & Hold Luxembourg and in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units.

The individual Subfunds shall be denominated as indicated in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units and Chapter 19, Subfunds. The reference currency in which the Net Asset Value of the corresponding Units of a Subfund is expressed is

also stipulated in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units.

Information about the performance of the individual Classes of Units of the Subfunds is contained in the Key Investor Information Document.

### 4. Investment policy

The primary objective of the Fund is to provide investors with an opportunity to invest in professionally managed portfolios. The assets of the Subfunds shall be invested, in accordance with the principle of risk diversification, in transferable securities and other assets as specified in Article 41 of the Law of December 17, 2010. The investment objective and policy of the individual Subfunds are described in Chapter 19, Subfunds. The assets of the individual Subfunds will be invested in accordance with the investment restrictions as stipulated by the Law of December 17, 2010 and set out in this Prospectus in Chapter 6, Authorised Investments and Investment Restrictions.

The investment objective of each Subfund is to maximize the appreciation of the assets invested. In order to achieve this, the Fund shall assume a fair and reasonable degree of risk. However, in consideration of market fluctuations and other risks (see Chapter 7, Risk Factors) there can be no guarantee that the investment objective of the relevant Subfunds will be achieved. The value of investments may go down as well as up and investors may not recover the value of their initial investment.

#### Reference Currency

The reference currency of the Fund is the Euro (EUR). Subfunds may have other currencies in which the performance and the Net Asset Value of the Subfunds are calculated (**Reference Currency**). The Reference Currencies of the relevant Subfunds are specified in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units.

#### Liquid Assets

The Subfunds may hold ancillary liquid assets in the form of sight and time deposits with first-class financial institutions and money market instruments which do not qualify as transferable securities and have a term to maturity not exceeding 12 months, in any convertible currency.

Moreover, each Subfund may, on an ancillary basis, hold units/shares in undertakings for collective investment in transferable securities which are subject to Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (**UCITS**), as amended from time to time (the **Directive 2009/65/EC**) and which in turn invest in short-term time deposits and money market instruments and whose returns are comparable with those for direct investments in time deposits and money market instruments. These investments, together with any investments in other undertakings for collective investment in transferable securities and/or other undertakings for collective investment, must not exceed 10% of the total net assets of a Subfund.

#### Collective Management of Assets

For the purpose of efficient management of the Fund and where the investment policies so permit, the Management Company may opt to manage all or part of the assets of certain Subfunds in common. Assets so managed shall be referred to hereinafter as a "pool". Such pools are created solely for internal management purposes and do not constitute a separate legal entity. Therefore, they cannot be directly accessed by investors. Each of the jointly managed Subfunds shall remain entitled to its own specific assets. The assets jointly managed in the pools may be divided and transferred to all the participating Subfunds at any time.

If the assets of several Subfunds are pooled in order to be managed jointly, a written record is kept of that portion of the assets in the pool which can be allocated to each of the Subfunds concerned, with reference to the Subfund's original share in this pool. The rights of each participating Subfund to the jointly managed assets shall relate to each individual position in the respective pool. Additional investments made for the jointly managed Subfunds shall be allocated to these Subfunds in an amount proportionate to their participation while assets, which have

been sold, shall be deducted from each participating Subfund's assets accordingly.

#### **Cross-investments between Subfunds of the Fund**

The Subfunds of the Fund may, subject to the conditions provided for in the Law of December 17, 2010, and the investment policy of the respective Subfund, subscribe, acquire and/or hold securities to be issued or issued by one or more Subfunds of the Fund under the following conditions:

- the target Subfund does not, in turn, invest in the Subfund invested in this target Subfund; and
- no more than 10% of the assets of the target Subfund whose acquisition is contemplated may be invested in aggregate in units of other target Subfunds of the Fund; and
- voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Subfund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- in any event, for as long as these securities are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the Law of December 17, 2010; and
- there is no duplication of management/subscription or repurchase fees between those at the level of the Subfund of the Fund having invested in the target Subfund, and this target Subfund.

## **5. Investment in Buy & Hold Luxembourg**

### **i. General Information on the Units**

Each Subfund may offer more than one Class of Units. Each Class of Units may have different features with respect to its criteria for subscription, redemption, minimum holding, fee structure, currency, and distribution policy. A separate Net Asset Value per Unit will be calculated for each Class of Units. The Classes of Units currently available for each Sub-Fund are briefly described on Chapter 2 Buy & Hold Luxembourg - Summary of Classes of Units. The Classes of Units are set out in the relevant Annex. Further Classes of Units may be created by the Management Company in accordance with the requirements of the CSSF.

Certain fees, charges and expenses shall be paid out of the assets of the Subfunds. For further information, see Chapter 9, Expenses and Taxes.

All Classes of Units are only available in uncertificated form and will exist exclusively as book entries.

The Units which make up each such Class of Units will either be capital-growth Units or distribution Units as specified in Chapter 19, Subfunds.

#### **Capital-growth Units**

Details of the characteristics of capital-growth Units are included in Chapter 11, Appropriation of Net Income and Capital Gains.

#### **Distribution Units**

Details of the characteristics of distribution Units are included in Chapter 11, Appropriation of Net Income and Capital Gains.

#### **Minimum initial investment, minimum subsequent investment and minimum holding**

Details of an initial minimum initial investment, minimum subsequent investment and minimum holding (if applicable) are specified in Chapter 19, Subfunds.

#### **Issue Price and Issue Period**

The initial issue price and the initial issue period is determined in Chapter 19, Subfunds.

After the initial offering, Units may be subscribed at the applicable Net Asset Value.

The Management Company may, at any time, decide on the issue of Classes of Units in any additional freely convertible currencies at an initial issue price to be determined by the Management Company.

Except in case of alternate currency Classes of Units, Classes of Units shall be denominated in the Reference Currency of the Subfund to which they relate (as specified in Chapter 19, Subfunds and Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units).

Investors may, at the discretion of the Central Administration, pay the subscription monies for Units in a convertible currency other than the currency in which the relevant Class of Units is denominated. As soon as the receipt is determined by the Depositary, such subscription monies shall be automatically converted into the currency in which the relevant Units are denominated upon instruction of the Central Administration.

Further details are set out in Chapter 5, Investment in Buy & Hold Luxembourg, section (ii), Subscription of Units.

The Management Company may, at any time, issue within a Subfund one or more Classes of Units, which may be denominated in a currency other than the Subfund's Reference Currency (**Alternate Currency Class**). Where explicitly mentioned in the Subfund related part of Chapter 19, Subfunds, of this Prospectus, the Management Company may enter into certain currency related transactions in order to hedge the exchange rate risk between the Reference Currency of such Subfund and the currency in which Units of such Class of Units are designated. Any financial instruments used to implement such strategies with respect to one or more Class(es) of Units shall be assets and liabilities of a Subfund as a whole but will be attributable to the relevant Class of Units and the gains and losses on and the costs of the relevant financial instrument will accrue solely to the relevant Class of Units.

Transactions will be clearly attributable to a specific Class of Units, therefore any currency exposure of a Class of Units may not be combined with, or offset against, that of any other Class of Units of a Subfund. The currency exposure of the assets attributable to a Class of Units may not be allocated to other Classes of Units.

Where there is more than one hedged Class of Units in a Subfund denominated in the same currency and it is intended to hedge the foreign currency exposure of such Classes of Units into another currency, the Subfund may aggregate the foreign exchange transactions entered into on behalf of such hedged Classes of Units and apportion the gains/losses on and the costs of the relevant financial instruments pro rata to each such hedged Class of Units in the relevant Subfund.

Where the Management Company may seek to hedge against currency fluctuations at Class of Units level, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Management Company. However, over-hedged positions will not exceed 105% of the Net Asset Value of the Class of Units and under-hedged positions shall not fall short of 95% of the portion of the Net Asset Value of the Class of Units which is to be hedged against currency risk. Hedged positions will be reviewed daily to ensure that over-hedged or under-hedged positions do not fall short of or exceed the permitted levels outlined above and will be rebalanced on a regular basis.

To the extent that hedging is successful for a particular Class of Units, the performance of the Class of Units is likely to move directionally with the performance of the underlying assets with the result that investors in that Class of Units will not gain if the Class of Units currency falls against the currency in which the assets of the particular Subfund are denominated.

The Net Asset Value of the Units of the Alternate Currency Classes of Units may not develop in the same way as that of the Classes of Units issued in the Reference Currency.

Investors' attention is drawn to the risk factor entitled "Unit Currency Designation Risk" in Chapter 7, Risk Factors.

However, no assurance can be given that the hedging objective would be achieved

Units may be held through collective depositories. In such cases Unitholders shall receive a confirmation in relation to their Units from the depository of their choice (for example, their bank or broker), or Units may be held by Unitholders directly in a registered account kept for the Fund and its Unitholders by the Fund's Central Administration. These Unitholders will be registered by the Central Administration. Units held by a depository may be transferred to an account of the Unitholder with the Central Administration or to an account with other depositories

approved by the Management Company or with an institution participating in the securities and fund clearing systems. Conversely, Units credited to a Unitholder's account kept by the Central Administration may at any time be transferred to an account with a depository.

The Management Company may divide or merge the Units in the interest of the Unitholders.

## ii. Subscription of Units

Units may be subscribed on any Subscription Day specified as such in Chapter 19, Subfunds at the Net Asset Value per Unit of the relevant Class of Units of the Subfund, which is calculated on the relevant Valuation Day (as defined in Chapter 19, Subfunds and Chapter 8, Net Asset Value) according to the calculation method described in Chapter 8, Net Asset Value plus the applicable initial sales charge and any taxes. The applicable maximum sales charge levied in connection with the Units of the Fund is indicated in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units.

Unless otherwise specified in Chapter 19, Subfunds, subscription applications must be submitted in written form to the Central Administration or a distributor authorized by the Management Company to accept applications for the subscription or redemption of Units (**Distributor** or **Distributors**) as defined below.

Applications must be received by the Central Administration before the cut-off-time specified for the relevant Subfund in Chapter 19, Subfunds (the **Cut-Off-Time**). Earlier cut-off times may apply for subscription applications submitted to Distributors. Investors are advised to contact their Distributor to find out which cut-off time is applicable to them. Applications received after the relevant Cut-Off-Time shall be deemed to have been received prior to the Cut-Off-Time for the following Subscription Day.

Unless stated otherwise in Chapter 19, Subfunds, payment must be received within three (3) days on which banks are normally open all day for business in Luxembourg (**Banking Day**) after the Valuation Day on which the issue price of such Units was determined.

Charges to be paid due to the subscription of Units shall accrue to the banks and other financial institutions engaged in the distribution of the Units, unless otherwise specified in Chapter 19, Subfunds. Any taxes incurred on the issue of Units shall also be charged to the investor. Subscription amounts for Classes of Units in freely convertible currencies shall be paid in the currency in which the relevant Units are denominated or, if requested by the investor and at the sole discretion of the Central Administration, in another freely convertible currency. Payment shall be effected by bank transfer to the bank accounts of the Depository, which are indicated in the subscription form.

The Management Company may in the interest of the Unitholders accept transferable securities and other assets permitted by Part I of the Law of December 17, 2010 as payment for subscription (**Contribution in Kind**), provided, the offered transferable securities and assets correspond to the investment policy and restrictions of the relevant Subfund. Each payment of Units in return for a contribution in kind is part of a valuation report issued by the auditor of the Fund. The Management Company may at its sole discretion, reject all or several offered transferable securities and assets without giving reasons. All costs caused by such Contribution in Kind (including the costs for the valuation report, broker fees, expenses, commissions, etc.) shall be borne by the investor.

The Units shall be issued upon the receipt of the issue price with the correct value date. Notwithstanding the above, the Management Company may, at its own discretion, decide that the subscription application will only be accepted once these monies are received by the Depository.

If the payment is made in a currency other than the one in which the relevant Units are denominated, the proceeds of conversion from the currency of payment to the currency of denomination less fees and

exchange commission shall be allocated to the purchase of Units. For Classes of Units issued in currencies with limited or non-convertibility the above is not applicable.

The minimum value or number of Units which must be held by a Unitholder in a particular Class of Units is set out in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units, if applicable. Such minimum initial investment and holding requirement may be waived in any particular case at the sole discretion of the Management Company.

Subscriptions and redemptions of fractions of Units shall be permitted up to three decimal places. A holding of fractional Units shall entitle the Unitholder to proportional rights in relation to such Units. It might occur that clearing institutions will be unable to process holdings of fractional Units. Investors should verify whether that is the case.

The Management Company and the Central Administration are entitled to refuse any subscription application in whole or in part for any reason, and may in particular prohibit or limit the sale of Units to individuals or corporate bodies in certain countries or regions if such sales might be detrimental to the Fund or result in the Shares being held directly or indirectly by a Prohibited Person or if a subscription in the country concerned is in contravention of applicable laws. Moreover, where new investments would adversely affect the achievement of the investment objective, the Management Company may decide to suspend the issue of Units on a permanent or temporary basis. The issue of Units may be suspended under the terms of Section v. Suspension of the Subscription, Redemption, Conversion of Units and the Calculation of the Net Asset Value below or at the Management Company's discretion in the best interests of the Subfund, notably under other exceptional circumstances.

## iii. Redemption of Units

The Management Company shall in principle redeem Units on any Redemption Day specified as such in Chapter 19, Subfunds, at the Net Asset Value per Unit of the relevant Class of Units of the Subfund (based on the calculation method described in Chapter 8, Net Asset Value), applicable on the Valuation Day at such Redemption Day, less any redemption charge, if applicable. For this purpose, redemption applications must be submitted to the Central Administration or the Distributor.

Redemption applications for Units held through a depository must be submitted to the depository concerned. Unless otherwise specified in Chapter 19, Subfunds, redemption applications must be completed and submitted to the Central Administration or the Distributor and redemption applications must be received by the Central Administration before the relevant Cut-Off-Time of the respective Subfund. Earlier cut-off times may apply for redemption applications submitted to Distributors. Investors are advised to contact their Distributor to find out which cut-off time is applicable to them. Redemption applications received after the Cut-Off-Time on a Redemption Day shall be deemed to have been received prior to the Cut-Off-Time for the following Redemption Day.

If the execution of a redemption application would result in the relevant investor's holding in a particular Class of Units falling below the minimum holding requirement for that Class of Units as set out in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units, the Management Company may, without further notice to the Unitholder, treat such redemption application as though it were an application for the redemption of all Units of that Class of Units held by the Unitholder.

Unless otherwise specified in Chapter 19, Subfunds, Units shall be redeemed at the relevant Net Asset Value per Unit calculated on the Valuation Day on such Redemption Day.

Whether and to what extent the redemption price is lower or higher than the issue price paid depends on the development of the Net Asset Value of the relevant Class of Units.



Payment of the redemption price of the Units shall be made within three (3) Banking Days following calculation of the redemption price, unless otherwise specified in Chapter 19, Subfunds. This does not apply where specific statutory provisions, such as foreign exchange or other transfer restrictions or other circumstances beyond the Depositary's control make it impossible to transfer the redemption amount.

The Management Company may, in order to facilitate the settlement of substantial redemption applications or in other exceptional circumstances, propose to an Unitholder, a redemption in kind, in all or in part, whereby the Unitholder receives a portfolio of assets of the Subfund of equivalent value to the redemption price (less any redemption fee). In such circumstances the Unitholder must specifically consent to the redemption in kind and may always request a cash redemption payment instead. In proposing or accepting a request for redemption in kind at any given time, the Management Company shall take into account the interest of other Unitholders of the Subfund and the principle of fair treatment. Where the Unitholder accepts a redemption in kind, he will receive a pro rata portion of assets of the Subfund. To the extent required by applicable laws and regulations, any redemption in kind will be valued independently in a special report issued by the Auditor or any other authorised statutory auditor (*réviseur d'entreprises agréé*) agreed by the Management Company. The Management Company and the redeeming Unitholder will agree on specific settlement procedures. Any costs incurred in connection with a redemption in kind, including the costs of issuing a valuation report, shall be borne by the redeeming Unitholder or by such other third party as agreed by the Management Company.

The Management Company also reserves the right to postpone the payment of redemption proceeds after the end of the normal redemption settlement period.

Payment shall be made by means of remittance to a bank account or, if possible, by cash in the currency that is legal tender in the country where payment is to be made, after conversion of the amount in question.

Upon payment of the redemption price, the corresponding Unit shall be canceled.

If the Management Company discovers at any time that Units are owned by a Prohibited Person, either alone or in conjunction with any other person, whether directly or indirectly, the Management Company may at its discretion and without liability, compulsorily redeem the Units in accordance with the rules laid down in the Management Regulations, and upon redemption, the Prohibited Person will cease to be the owner of those Units. The Management Company may require any Unitholder to provide it with any information that it may consider necessary for the purpose of determining whether or not such owner of Units is or will be a Prohibited Person. Further, the Unitholders shall have the obligation to immediately inform the Management Company to the extent the ultimate beneficial owner of the Units held by such Unitholder becomes or will become a Prohibited Person

The redemption of units may be suspended under the terms of section v. Suspension of the Subscription, Redemption, Conversion of Units and the Calculation of the Net Asset Value below or in other exceptional cases where the circumstances and the best interests of the Unitholders so require.

#### **iv. Conversion of Units**

Unitholders of a particular Class of a Subfund may convert all or part of their Units into Units of a Class of another Subfund or into another Class of Units of the same Subfund on a Conversion Day, specified as such in Chapter 19, Subfunds, provided that the requirements (see Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units) for the Class of Units into which such Units are converted are complied with. No fee will be charged for such conversions.

Unless otherwise specified in Chapter 19, Subfunds, conversion applications must be completed and submitted to the Central Administration or the Distributor, and conversion applications must be received by the Central Administration before the Cut-Off-Time specified

for the relevant Subfund in Chapter 19, Sub-Funds. Earlier cut-off times may apply for applications submitted to Distributors. Investors are advised to contact their Distributor to find out which cut-off time is applicable to them. Conversion applications received after the Cut-Off-Time shall be deemed to have been received prior the Cut-Off-Time for the following Conversion Day. Conversion shall take place on the basis of the applicable Net Asset Value per Unit calculated on the relevant Valuation Day of such Conversion Day. Conversions of Units will only be made on a Valuation Day, if the Net Asset Value in both relevant Classes of Units is calculated.

Where processing an application for the conversion of Units would result in the relevant Unitholder's holding in a particular Class of Units falling below the minimum holding requirement for that Class of Units set out in Chapter 2, Buy & Hold Luxembourg - Buy & Hold Luxembourg - Summary of Classes of Units, the Management Company may, without further notice to the Unitholder, treat such conversion application as though it were an application for the conversion of all Units held by the Unitholder in that Class of Units.

Where Units denominated in one currency are converted into Units denominated in another currency, the foreign exchange and conversion fees incurred will be taken into consideration and deducted. Conversion into or from Classes of Units issued in currencies with limited or non-convertibility, will be converted into or from EUR respectively as necessary.

#### **v. Suspension of the Subscription, Redemption, Conversion of Units and the Calculation of the Net Asset Value**

The Management Company may suspend the calculation of the Net Asset Value and/or, where applicable, the issue, redemption and conversion of Units of a Subfund where a substantial proportion of the assets of the Subfund:

- a) cannot be valued, because a stock exchange or market is closed on a day other than a usual public holiday, or when trading on such stock exchange or market is restricted or suspended; or
- b) is not freely disposable, because a political, economic, military, monetary or any other event beyond the control of the Management Company does not permit the disposal of the Subfund's assets, or such disposal would be detrimental to the interests of Unitholders; or
- c) cannot be valued, because disruption to the communications network or any other reason makes a valuation impossible; or
- d) is not available for transactions, because restrictions on foreign exchange or other types of restrictions make asset transfers impracticable or it can be objectively demonstrated that transactions cannot be effected at normal foreign exchange rates;
- e) in exceptional circumstances, whenever the Management Company considers it necessary in order to avoid irreversible negative effects on the Fund, a Subfund or Class of Units, in compliance with the principle of fair treatment of unitholders in their best interests.

Investors applying for, or who have already applied for, the subscription, redemption or conversion of Units in the respective Subfund shall be notified of the suspension without delay. Notice of the suspension shall also be published as described in Chapter 13, Information for Unitholders, if, in the opinion of the Management Company, the suspension is likely to last for longer than one week.

Suspension of the calculation of the Net Asset Value of one Subfund shall not affect the calculation of the Net Asset Value of the other Subfunds if none of the above conditions apply to such other Subfunds.

#### **vi. Deferral of redemption or conversion of Units**

Unless otherwise applicable to a Subfund as described in Chapter 19, Subfunds, if on any given Redemption Day or Conversion Day, applications for redemption or conversion of Units out of a Subfund or Class of Units represent in aggregate more than 10% of the Net Asset Value of the Subfund or Class of Units, the Management Company may decide part (on a pro rata basis) or all of such requests for redemption or conversion will be deferred to the next or subsequent Redemption Days or Conversion Days until the application is processed in full. On a next or

subsequent Redemption Day or Conversion Day, deferred redemption or conversion requests will be met in priority to requests submitted in respect of such Redemption Day or Conversion Day. The Management Company also reserves the right to postpone the payment of redemption proceeds after the end of the normal redemption settlement period in accordance with the provisions set out in Suspension of the Subscription, Redemption, Conversion of Units and the Calculation of the Net Asset Value above.

As an alternative to deferring applications for redemptions, the Fund may propose to an investor, who accepts, to settle a redemption application, in whole or in part, by a distribution in kind of certain assets of the Subfund or Class of Units in lieu of cash, subject to the conditions set out in Suspension of the Subscription, Redemption, Conversion of Units and the Calculation of the Net Asset Value above.

#### vii. Swing Pricing

In certain cases, subscriptions, redemptions and conversions within a Subfund may have a negative impact on the Net Asset Value per Unit. When subscriptions, redemptions and conversions within a Subfund entail the obligation for the Subfund in question to buy and/or sell underlying assets, the value of these assets may be affected by the difference between supply and demand, transaction costs and by certain related expenses such as transaction fees, brokerage fees and taxes. This transaction may have a negative impact on the Net Asset Value per Unit; this is known as "dilution". In order to protect existing or remaining investors against the potential effects of dilution, the Management Company has the option to apply the swing pricing method described below.

The Management Company will determine the swing factor which is the amount by which the Net Asset Value per Unit may be adjusted upwards or downwards in order to take account of dealing, transaction related costs (such as fiscal and other costs and charges) which would be payable on the effective acquisition or disposal of assets in the relevant Subfund, provided that, for the purpose of calculating the expenses of a Subfund which are based on the Net Asset Value per Unit of the relevant Subfund, the Central Administrator will continue to use the unswung Net Asset Value per Unit.

If the net capital activity on a given Valuation Day leads to a net inflow of assets in excess of 2% of the Net Asset Value (the "**Swing Threshold**"), the Net Asset Value used to process all subscriptions, redemptions or conversions in such Subfund is adjusted upwards by the swing factor.

If the net capital activity on a given Valuation Day leads to a net outflow of assets in excess of the Swing Threshold in the relevant Subfund, the Net Asset Value used to process all subscriptions, redemptions or conversions in such Subfund is adjusted downwards by the swing factor.

Where there is no dealing on a Subfund or Class of Units on any Valuation Day, the price will be the unadjusted Net Asset Value per Unit.

The swing factor will not exceed 2% of the Net Asset Value per Unit, unless otherwise stipulated in Chapter 19 for a specific Subfund. An interim report will be issued in order to check the relevance of the swing factor compared to the market conditions.

For the purpose of calculating the expenses of a Subfund which are based on the Net Asset Value (including any applicable Performance Fee), the Central Administrator will continue to use the Net Asset Value prior to any such swing pricing adjustments being applied.

Unless otherwise specified in Chapter 19 for a specific Subfund, swing pricing will apply to each of the Subfunds. Swing pricing when implemented will be at a Subfund level rather than Classes of Units level as transaction related costs are incurred at Subfund level.

When applying the swing pricing method, the volatility of the Net Asset Value of a Subfund may not reflect the real performance of the portfolio (and thus, where applicable, may not differ from the Subfund's

benchmark index). Where applicable, the performance fee will be charged on the basis of the unswung Net Asset Value.

The board of directors of the Management Company may at its sole discretion decide in exceptional circumstances to override the mechanical process where it is considered to be in the best interests of investors of the Subfunds. The board of directors of the Management Company may at its sole discretion decide on the swinging or the swing factor for instance: (i) when there is an increased volume of redemptions from a fund over a period of time; (ii) linked trading; (iii) subscriptions and redemptions in kind; (iv) fund mergers; and (v) liquidating funds, etc.

#### viii. Measures to combat Money-Laundering

The Distributors are obliged by the Management Company to ensure compliance with all current and future statutory or professional regulations in Luxembourg aimed at combating money laundering and terrorist financing. These regulations stipulate that the Distributors are under obligation, prior to submitting any application form to the Central Administration, to verify the identity of the investor and beneficial owner.

The Central Administration of the Fund is however entitled at its own discretion to request, at any time, further identification documentation related to a subscription application or to refuse to accept subscription applications upon the submission of all documentary evidence.

The Distributors shall ensure that their sales offices adhere to the above verification procedure at all times. The Central Administration and the Management Company shall at all times be entitled to request evidence of compliance from the Distributors. Furthermore, the Distributor accepts that it is subject to, and must properly enforce, the national regulations aimed at combating money laundering and terrorist financing.

The Central Administration is responsible for observing the above-mentioned verification procedure in the event of subscription applications submitted by Distributors which are not operators in the financial sector or which are operators in the financial sector but are not subject to an identity verification requirement equivalent to that existing under Luxembourg law. Permitted financial sector operators from Member States of the EU, EEA and/or FATF (Financial Action Task Force on Money Laundering) are generally deemed to be subject to an identity verification requirement equivalent to that existing under Luxembourg law. The same applies to their branches and subsidiary companies in countries other than those mentioned above, provided the financial sector operator is obliged to monitor compliance with the identity verification requirements on the part of its branches and subsidiary companies.

#### vii. Market Timing and Late Trading

The Management Company does not permit practices related to Market Timing (i.e. a method through which an investor systematically subscribes and redeems or converts Units of Classes of Units within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value). It therefore reserves the right to reject subscription and conversion applications from an investor who the Fund suspects of using such practices and to take, if appropriate, the necessary measures to protect the other investors of the Fund.

The Management Company does further NOT permit practices related to Late Trading (i.e. the execution of a subscription or redemption application after the time limit fixed for accepting applications (the **Cut-off time**) on the relevant day and the execution of such application at a price based on the net asset value applicable to such same day).

The Management Company considers that such practices violate the provisions of the Prospectus according to which an application received after the Cut-off Time is dealt with at a price based on the next applicable Net Asset Value. As a result, subscription and redemption applications shall be dealt with at an unknown Net Asset Value.

The Management Company therefore reserves the right to reject subscription applications from an investor who the Management

Company suspects of using such practices and to take, if appropriate, the necessary measures to protect the other investors of the Fund.

## 6. Authorised Investments and Investment Restrictions

For the purpose of this Chapter, each Subfund shall be regarded as a separate Fund within the meaning of Article 40 of the Law of December 17, 2010.

The following provisions shall apply to the investments made by each Subfund:

- 1) The Fund's investments may comprise only one or more of the following:
    - a) transferable securities and money market instruments admitted to or dealt in on a regulated market; for these purposes, a regulated market is any market for financial instruments within the meaning of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments as amended;
    - b) transferable securities and money market instruments dealt in on another market in a Member State which is regulated, operates regularly and is recognized and open to the public; for the purpose of this Chapter "Member State" means a Member State of the European Union (EU) or the States of the European Economic Area (EEA);
    - c) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-Member State of the European Union or dealt in on another market in a non-Member State of the European Union which is regulated, operates regularly and is recognized and open to the public, and is established in a country in Europe, America, Asia, Africa or Oceania;
    - d) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on stock exchanges or markets as per paragraphs a), b) or c) above and provided such admission takes place within one year of issue;
    - e) units or shares of undertakings for collective investment in transferable securities authorized according to Directive 2009/65/EC (UCITS) and/or other undertakings for collective investment (UCI), whether or not established in a Member State, provided that:
      - these other UCI are authorized under laws which provide that they are subject to supervision considered by the supervisory authority responsible for the Fund, to be equivalent to that required by EU Community law and that cooperation between the supervisory authorities is sufficiently ensured,
      - the level of protection for share-/unitholders of the other UCIs is equivalent to that provided for share-/unitholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC,
      - the business activities of the other UCIs are reported in semi-annual and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,
      - the UCITS or other UCIs whose units/shares are to be acquired, may not, pursuant to their management regulation or instruments of incorporation, invest more than 10% of their total net assets in units/shares of other UCITS or other UCIs;
    - f) deposits with a credit institution which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a third country, provided that it is subject to prudential rules considered by the supervisory authority responsible for the Fund, as equivalent to those laid down in EU Community law;
  - g) financial derivative instruments, including equivalent cash-settled instruments which are dealt in on the regulated markets specified under paragraphs a), b) and c) above and/or financial derivative instruments which are dealt in over-the-counter (OTC derivatives), provided that:
    - the underlying consists of instruments within the meaning of Article 41, paragraph (1) of the Law of December 17, 2010, financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives,
    - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the supervisory authority responsible for the Fund, and
    - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund's initiative;
  - h) money market instruments other than those dealt in on a regulated market but which are normally traded on the money market and are liquid, and whose value can be precisely determined at any time, provided the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that these investments are:
    - issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in case of a federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or
    - issued by an undertaking any securities of which are dealt in on regulated markets referred to in paragraphs a), b) or c) above, or
    - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU Community law, or issued or guaranteed by an establishment that is subject to and complies with supervisory rules considered by the supervisory authority responsible for the Fund, to be at least as stringent as those required by EU Community law, or
    - issued by other bodies belonging to the categories approved by the supervisory authority responsible for the Fund, provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent of this paragraph h) and provided that the issuer is a company whose capital and reserves amount to at least ten million euro (EUR 10,000,000) and which presents and publishes its annual financial statements in accordance with the fourth Directive 78/660/EEC or is an entity, which within a group of companies comprising one or several listed companies, is dedicated to the financing of the group, or is an entity which is dedicated to the financing of securitization vehicles which benefit from a banking liquidity line.
- 2) The Subfunds shall not, however, invest more than 10% of their total net assets in transferable securities or money market instruments other than those referred to in section 1). The Subfunds may hold ancillary liquid assets in different currencies.
  - 3) The Management Company applies a risk management process which enables it to monitor and measure at any time the risk of the investment positions and their contribution to the overall risk profile of the portfolio and a process for accurate and independent assessment of the value of OTC derivatives.
- Unless specified otherwise in Chapter 19, Subfunds, each Subfund may, for the purpose of (i) hedging, and/or (ii) efficient portfolio management, and/or (iii) implementing its investment strategy, and subject to the provisions set out below, engage in foreign exchange transactions and/or use financial derivative instruments

and/or techniques based on transferable securities, money market instruments or forward contracts on stock exchange indices within the meaning of Part I of the Law of December 17, 2010.

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

As part of its investment policy and within the limits laid down in section 4) paragraph e), each Subfund may invest in financial derivative instruments, provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in section 4). If a Subfund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in section 4). When a transferable security or a money market instrument embeds a derivative instrument, the derivative instrument shall be taken into account when complying with the requirements of this section.

The global exposure of a Subfund to financial derivative instruments and efficient portfolio management techniques may not exceed the Net Asset Value of the respective Subfund. Global exposure is calculated, at least on a daily basis, using either the commitment approach or the value-at-risk or "VaR" approach, as further explained below. Global exposure is a measure designed to limit either the incremental exposure and leverage generated by a Subfund through the use of financial derivative instruments and efficient portfolio management techniques (where the Subfund uses the commitment approach) or the market risk of the Subfund's portfolio (where the Subfund uses the VaR approach).

The method used by each Subfund to calculate global exposure is mentioned in Chapter 19, Subfunds.

Under the commitment approach, all financial derivative positions of the Subfund are converted into the market value of the equivalent position in the underlying assets. Netting and hedging arrangements may be taken into account when calculating global exposure, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure. Under this approach, the global exposure of a Subfund is limited to 100% of its Net Asset Value.

In financial mathematics and financial risk management, VaR is a widely used risk measure of the risk of loss on a specific portfolio of financial assets. For a given investment portfolio, probability and time horizon, VaR measures the potential loss that could arise over a given time interval under normal market conditions, and at a given confidence level. The calculation of VaR is conducted on the basis of a one-sided confidence interval of 99% and a holding period of 20 days. The exposure of the respective Subfund is subject to periodic stress tests.

VaR limits are set using an absolute or relative approach. The Management Company will decide which VaR approach is the most appropriate methodology given the risk profile and investment strategy of the respective Subfund. The VaR approach selected for each Subfund using VaR is specified in Chapter 19, Subfunds.

The absolute VaR approach is generally appropriate in the absence of an identifiable reference portfolio or benchmark for the respective Subfund (for instance, where the Subfund has an absolute return target). Under the absolute VaR approach a limit is set as a percentage of the Net Asset Value of the Subfund. Based on the above calculation parameters, the absolute VaR of each Subfund is limited to 20% of its Net Asset Value. The Management Company may set a lower limit if appropriate.

The relative VaR approach is used for Subfunds where a leverage-free VaR benchmark or reference portfolio may be defined, reflecting the investment strategy of the respective Subfund. The relative VaR of a Subfund is expressed as a multiple of the VaR of the defined benchmark or reference portfolio and is limited to no more than twice the VaR on that benchmark or reference portfolio. The VaR benchmark or reference portfolio of the respective Subfund, which may be different from the benchmark used for other purposes, is specified in Chapter 19, Subfunds.

Unless otherwise indicated in Chapter 19, Subfunds, a Subfund may use leverage to increase its exposure through the use of financial derivative instruments. Leverage may be used at the discretion of the Management Company in accordance with the investment objective and policy of each Subfund and its defined risk profile. Leverage involves certain risks for the Subfund, as further described in Chapter 19, Subfunds below. Leverage is monitored on a regular basis by the Management Company.

Under applicable laws and regulations, the level of leverage is defined as the sum of the absolute value of the notional amount of all financial derivative instruments used by the respective Subfund, as well as any additional exposure generated by the reinvestment of cash collateral in relation to efficient portfolio management techniques, if any. The expected level of leverage, expressed as a percentage of the Net Asset Value of the Subfund, is disclosed for each Subfund in Chapter 19, Subfunds.

The "sum of notionals" methodology, which is mandatory under applicable laws and regulations, does not allow for the offset of hedging transactions and other risk mitigation strategies involving financial derivative instruments, such as currency hedging or duration management. Similarly, the "sum of notionals" methodology does not allow for the netting of derivative positions and does not take into account the underlying assets' volatility or make any distinction between short term and long term assets. As a result, strategies that aim to reduce risks may contribute to an increased level of leverage for the Sub-Fund.

In order to take into account the specific use of financial derivative instruments and their contribution to the risks of the Subfund concerned, the expected level of leverage disclosed in Chapter 19, Subfunds, based on the "sum of notionals" methodology, may be supplemented by expected leverage figures calculated on the basis of the commitment approach, as described above, which takes into account hedging and netting arrangements.

The risk management of the Management Company supervises the compliance of these provision in accordance with the requirements of applicable circulars or regulation issued by the Luxembourg supervisory authority (Commission de Surveillance du Secteur Financier) or any other European authority authorized to issue related regulation or technical standards.

- 4) a) No more than 10% of the total net assets of each Subfund may be invested in transferable securities or money market instruments issued by the same issuer. In addition, the total value of all transferable securities and money market instruments of those issuers, in which the Fund invests more than 5% of its total net assets, shall not exceed 40% of the value of its total net assets. No Subfund may invest more than 20% of its total net assets in deposits made with the same body. The risk exposure to a counterparty of a Subfund in an OTC derivative transaction and/or efficient portfolio management techniques may in aggregate not exceed the following percentages:
  - 10% of total net assets if the counterparty is a credit institution referred to in Chapter 6, Authorised Investments and Investment Restrictions, section 1) paragraph f), or
  - 5% of total net assets in other cases.

- b) The 40% limit specified in section 4) paragraph a) is not applicable to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Irrespective of the limits specified in paragraph 4) point a), each Subfund shall not combine, where this would lead to investing more than 20% of its total net assets in a single body, any of the following:

- investments in transferable securities or money market instruments issued by that body, or
  - deposits made with that body, or
  - exposures arising from OTC derivatives transactions undertaken with that body.
- c) The limit of 10% stipulated in section 4) paragraph a) is raised to a maximum of 35% if the securities or money market instruments are issued or guaranteed by a Member State, by its public local authorities, by a non-Member State or by public international bodies to which one or more Member States belong.
- d) The 10% limit stipulated in section 4) paragraph a) is raised to 25% for bonds issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of those bonds must be invested in accordance with the legal requirements in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. If a Subfund invests more than 5% of its total net assets in bonds referred to in this paragraph which are issued by a single issuer, the total value of these investments may not exceed 80% of the Subfund's total net assets.
- e) The transferable securities and money market instruments referred to in paragraphs c) and d) of this section 4) shall not be taken into account for the purpose of applying the limit of 40% referred to under paragraph a) of this section. The limits specified under section 4) paragraphs a), b), c) and d) shall not be combined; thus investments in transferable securities or money market instruments issued by the same issuer or in deposits or derivative instruments made with this body carried out in accordance with paragraphs a), b), c) and d) shall not exceed in total 35% of a Subfund's total net assets. Companies which belong to the same group for the purposes of the preparation of consolidated financial statements in accordance with Directive 83/349/EU as amended or restated or in accordance with internationally recognized accounting rules, shall be regarded as a single issuer for the purpose of calculating the investment limits specified in the present section 4). A Subfund may cumulatively invest up to a limit of 20% of its total net assets in transferable securities and money market instruments within the same group.
- f) **The limit of 10% stipulated in section 4) paragraph a) is raised to 100% if the transferable securities and money market instruments involved are issued or guaranteed by a Member State, one or more of its local authorities, by any other state which is a member of the Organisation for Economic Cooperation and Development (OECD) by Brazil or Singapore, or by a public international body to which one or more Member States of the European Union belong. In such case, the Subfund concerned must hold securities or money market instruments from at least six different issues, and the securities or money market instruments of any single issue shall not exceed 30% of the Subfund's total assets.**

- g) Without prejudice to the limits laid down in section 6), the limits laid down in the present section 4) are raised to a maximum of 20% for investments in shares and/or debt securities issued by the same body, when the aim of the Subfund's investment policy is to replicate the composition of a certain stock or debt securities index which is recognized by the supervisory authority responsible for the Fund, on the following basis:

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

The aforementioned limit of 20% may be raised to a maximum of 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

- 5) The Fund will not invest more than 10% of the total net assets of any Subfund in units/shares of other UCITS and/or in other UCIs (**Target Funds**) pursuant to section 1) paragraph e) unless otherwise specified in the investment policy applicable to a Subfund as described in Chapter 19, Subfunds.

Where a higher limit as 10% is specified in Chapter 19, Subfunds, the following restrictions shall apply:

- No more than 20% of a Subfund's total net assets may be invested in units/shares of a single UCITS or other UCI. For the purpose of application of this investment limit, each compartment of a UCITS or other UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.
- Investments made in units/shares of UCI other than UCITS may not in aggregate exceed 30% of the total net assets of the Subfund.

Where a Subfund invests in units/shares of other UCITS and/or other UCI that are managed, directly or by delegation, by the same management company or by any other company with which the Management Company is linked by common management or control, or by a direct or indirect holding of more than 10% of the capital or votes (**Affiliated Funds**), the Management Company or the other company may not charge subscription or redemption fees on account of the Subfund's investment in the units/shares of such Affiliated Funds.

Unless specified otherwise in Chapter 19, Subfunds, no Management Fee corresponding to the volume of these investments in Affiliated Funds may be charged at the level of the respective Subfund, unless the Affiliated Fund itself does not charge any management fee.

Investors should note that for investments in units/shares of other UCITS and/or other UCI the same costs may generally arise both at the Subfund level and at the level of the other UCITS and/or UCI itself.

- 6) a) The Fund's assets may not be invested in securities carrying voting rights which would allow the Fund to exercise significant influence on the management of an issuer.
- b) Moreover, the Fund may not acquire more than:
- 10% of the non-voting shares of the same issuer,
  - 10% of the debt securities of the same issuer,
  - 25% of the units/shares of one and the same UCITS or other UCI,
  - 10% of the money market instruments of the same issuer.

In the last three cases, the restriction shall not apply if the gross amount of bonds or money market instruments, or the net amount of the instruments in issue cannot be calculated at the time of acquisition.

The restrictions set out under paragraphs a) and b) shall not apply to:

- transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities,
- transferable securities and money market instruments issued or guaranteed by a non-Member State of the European Union,
- transferable securities and money market instruments issued by public international bodies to which one or more Member States of the European Union belong,
- shares held by the Fund in the capital of a company which is incorporated in a non-Member State of the European Union and which invests its assets mainly in securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State of the European Union complies with the limits stipulated in section 4, paragraphs a) to e), section 5, and section 6 paragraphs a) and b).

- 7) The Management Company may not borrow any money for any Subfund except for:
  - a) the purchase of foreign currency using a back-to-back loan
  - b) an amount equivalent to not more than 10% of the Subfund's total net assets and borrowed on a temporary basis.
- 8) The Fund may not grant loans or act as guarantor for third parties.
- 9) To ensure efficient portfolio management, each Subfund may, in accordance with the provisions of the applicable Luxembourg regulations, enter into securities lending transactions.
- 10) The Fund may not invest its assets directly in real estate, precious metals or certificates representing precious metals and goods.
- 11) The Fund may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments referred to in section 1) paragraphs e), g) and h).
- 12)
  - a) In relation to borrowing conducted within the limitations set out in the Prospectus, the Fund may pledge or assign the assets of the Subfund concerned as collateral.
  - b) Furthermore, the Fund may pledge or assign the assets of the Subfund concerned as collateral to counterparties of transactions involving OTC derivatives or financial derivative instruments which are dealt in on a regulated market referred to under section 1) paragraphs a), b) and c) above in order to secure the payment and performance by such Subfund of its obligations to the relevant counterparty. To the extent counterparties require the provision of collateral exceeding the value of the risk to be covered by collateral or the over collateralisation is caused by other circumstances (e.g. performance of the assets posted as collateral or provisions of customary framework documentation), such (excess) collateral may – also in respect of non-cash collateral - be exposed to the counterparty risk of such counterparty and may only have a mere unsecured claim in respect of such assets.
- 13) A Subfund may not act as a feeder fund. But, under the conditions set forth in Luxembourg laws, circulars and regulations, the Management Company may, at any time it deems appropriate and to the widest extent permitted by applicable Luxembourg laws, create any Sub-Fund and/or Class qualifying as a master UCITS.

The restrictions set out above shall not apply to the exercise of subscription rights.

During the first six (6) months following official authorization of a Subfund in Luxembourg, the restrictions set out in section 4) and 5) above need not to be complied with, provided that the principle of risk diversification is observed.

If the limits referred to above are exceeded for reasons beyond the control of the Management Company or as a result of the exercise of subscription rights, the Management Company shall as a matter of priority remedy that situation, taking due account of the interests of the Unitholders.

The Management Company is entitled to issue, at any time, further investment restrictions in the interests of the Unitholders, if for example such restrictions are necessary to comply with legislation and regulations in those countries in which Units of the Fund are or will be offered for sale or for purchase.

## 7. Risk Factors

In addition to those risks factors set out in Chapter 19, Subfunds prospective investors should consider the following risk factors before investing in the Fund. However, the risk factors set out below do not purport to be an exhaustive list of risks related to investments in the Fund.

Prospective investors should read the entire Prospectus, and where appropriate consult with their legal, tax and investment advisers, in particular regarding the tax consequences of subscribing, holding, converting, redeeming or otherwise disposing of Units under the law of their country of citizenship, residence or domicile (further details are set out in Chapter 9, Expenses and Taxes).

Investors should be aware that the investments of the Fund are subject to market fluctuations and other risks associated with investments in transferable securities and other financial instruments. The value of the investments and the resulting income may go up or down and it is possible that investors will not recoup the amount originally invested in the Fund, including the risk of loss of the entire amount invested. There is no assurance that the investment objective of a particular Subfund will be achieved or that any increase in the value of the assets will occur. Past performance is not a reliable indicator of future results.

The Net Asset Value of a Subfund may vary as a result of fluctuations in the value of the underlying assets and the resulting income. Investors are reminded that in certain circumstances their right to redeem Units may be suspended.

Depending on the currency of the investor's domicile, exchange-rate fluctuations may adversely affect the value of an investment in one or more of the Subfunds. Moreover, in the case of an Alternate Currency Class of Units in which the currency risk is not hedged, the result of the associated foreign exchange transactions may have a negative influence on the performance of the corresponding Class of Units.

### Market Risk

Market risk is a general risk which may affect all investments to the effect that the value of a particular investment could change in a way that is detrimental to the Fund's interests. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies.

### Interest Rate Risk

Subfunds investing in fixed income securities may fall in value due to fluctuations in interest rates. Generally, the value of fixed income securities rises when interest rates fall. Conversely, when interest rates rise, the value of fixed income securities can generally be expected to decrease. Long term fixed income securities will normally have more price volatility than short term fixed income securities.

### Foreign Exchange Risk

The Subfunds' investments may be made in other currencies than the relevant Reference Currency and therefore be subject to currency fluctuations, which may affect the net asset value of the relevant Subfunds favorably or unfavorably.

Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies. If the currency in which an investment is denominated appreciates against the Reference

Currency of the relevant Subfund, the value of the investment will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the investment.

The Subfunds may enter into hedging transactions on currencies to protect against a decline in the value of investments denominated in currencies other than the Reference Currency, and against any increase in the cost of investments denominated in currencies other than the Reference Currency. However, there is no guarantee that the hedging objective will be successfully achieved.

Although it is the policy of the Fund to hedge the currency exposure of Subfunds against their respective Reference Currencies, hedging transactions may not always be possible and currency risks cannot therefore be excluded.

#### **Unit Currency Designation Risk**

A Class of Units of a Subfund may be designated in a currency other than the Reference Currency of the Subfund and/or the designated currencies in which the Subfund's assets are denominated. Redemption proceeds and any distributions to Unitholders will normally be made in the currency of denomination of the relevant Class of Units. Changes in the exchange rate between the Reference Currency and such designated currency or changes in the exchange rate between the designated currencies in which the Subfund's assets are denominated and the designated currency of a Class of Units may lead to a depreciation of the value of such Units as expressed in the designated currency. If specifically mentioned in the Subfund related part of Chapter 19, Subfunds, the Management Company may try to hedge this risk. Investors should be aware that this strategy may substantially limit Unitholders of the relevant Class of Units from benefiting if the designated currency falls against the Reference Currency of the Subfund and/or the currency/currencies in which the assets of the respective Subfund are denominated. In such circumstances, Unitholders of the relevant Class of Units may be exposed to fluctuations in the Net Asset Value per Unit reflecting the gains/losses on and the costs of the relevant assets. Assets used to implement such strategies shall be assets/liabilities of the Subfund as a whole. However, the gains/losses on, and the costs of, the relevant assets will accrue solely to the relevant Class of Units.

#### **Credit Risk**

Subfunds investing in fixed income securities are subject to the risk that issuers may not make payments on such securities. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity. Subfunds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

#### **Counterparty Risk**

In accordance with its investment objective and policy, a Subfund may trade 'over-the-counter' (OTC) financial derivative instruments such as non-exchange traded futures and options, forwards, swaps or contracts for difference. OTC derivatives are instruments specifically tailored to the needs of an individual investor that enable the user to structure precisely its exposure to a given position. Such instruments are not afforded the same protections as may be available to investors trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The counterparty to a particular OTC derivative transaction will generally be the specific entity involved in the transaction rather than a recognised exchange clearing house. In these circumstances the Subfund will be exposed to the risk that the counterparty will not settle the transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. This could result in substantial losses to the Subfund.

Participants in OTC markets are typically not subject to the credit evaluation and regulatory oversight to which members of 'exchange-based' markets are subject. Unless otherwise indicated in the Prospectus for a specific Subfund, the Fund will not be restricted from dealing with

any particular counterparties. The Fund's evaluation of the creditworthiness of its counterparties may not prove sufficient. The lack of a complete and foolproof evaluation of the financial capabilities of the counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses.

The Management Company may, for the account of the Fund, select counterparties located in various jurisdictions. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Subfund and its assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize the effect of their insolvency on the Subfund and its assets. Unitholders should assume that the insolvency of any counterparty would generally result in a loss to the Subfund, which could be material.

If there is a default by the counterparty to a transaction, the Fund will under most normal circumstances have contractual remedies and in some cases collateral pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays and costs. If one or more OTC counterparties were to become insolvent or the subject of liquidation proceedings, the recovery of securities and other assets under OTC derivatives may be delayed and the securities and other assets recovered by the Fund may have declined in value.

Regardless of the measures that the Fund may implement to reduce counterparty credit risk there can be no assurance that a counterparty will not default or that the Subfund will not sustain losses on the transactions as a result. Such counterparty risk is accentuated for contracts with longer maturities or where the Subfund has concentrated its transactions with a single or small group of counterparties.

#### **EU Bank Recovery and Resolution Directive**

Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) was published in the Official Journal of the European Union on June 12, 2014 and entered into force on July 2, 2014. The stated aim of the BRRD is to provide resolution authorities, including the relevant Luxembourg resolution authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

In accordance with the BRRD and relevant implementing laws, national prudential supervisory authorities can assert certain powers over credit institutions and certain investment firms which are failing or are likely to fail and where normal insolvency would cause financial instability. These powers comprise write-down, conversion, transfer, modification, or suspension powers existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in the relevant EU Member State relating to the implementation of BRRD (the Bank Resolution Tools).

The use of any such Bank Resolution Tools may affect or restrain the ability of counterparties subject to BRRD to honour their obligations towards the Subfunds, thereby exposing the Subfunds to potential losses.

The exercise of Bank Resolution Tools against investors of a Subfund may also lead to the mandatory sale of part of the assets of these investors, including their shares/units in that Subfund. Accordingly, there is a risk that a Subfund may experience reduced or even insufficient liquidity because of such an unusually high volume of redemption requests. In such case the Fund may not be able to pay redemption proceeds within the time period stated in this Prospectus.

Furthermore, exercising certain Bank Resolution Tools in respect of a particular type of securities may, under certain circumstances, trigger a drying-up of liquidity in specific securities markets, thereby causing potential liquidity problems for the Subfunds.

### **Liquidity Risk**

Liquidity refers to the speed and ease with which investments can be sold or liquidated or a position closed. On the asset side, liquidity risk refers to the inability of a Subfund to dispose of investments at a price equal or close to their estimated value within a reasonable period of time. On the liability side, liquidity refers to the inability of a Subfund to raise sufficient cash to meet a redemption request due to its inability to dispose of investments. In principle, each Subfund will only make investments for which a liquid market exists or which can otherwise be sold, liquidated or closed at any time within a reasonable period of time. However, in certain circumstances, investments may become less liquid or illiquid due to a variety of factors including adverse conditions affecting a particular issuer, counterparty, or the market generally, and legal, regulatory or contractual restrictions on the sale of certain instruments. In addition, a Subfund may invest in financial instruments traded over-the counter or OTC, which generally tend to be less liquid than instruments that are listed and traded on exchanges. Difficulties in disposing of investments may result in a loss for a Subfund and/or compromise the ability of the Subfund to meet a redemption request.

There is a risk that the Fund will suffer liquidity issues because of unusual market conditions, an unusually high volume of redemption requests or other reasons. In such case the Fund may not be able to pay redemption proceeds within the time period stated in this Prospectus.

### **Management Risk**

The Fund is actively managed and therefore the Subfunds may be subject to management risks. The Management Company will apply its investment strategy (including investment techniques and risk analysis) when making investment decisions for the Subfunds, however no assurance can be given that the investment decision will achieve the desired results. The Management Company may in certain cases decide not to use investment techniques, such as derivative instruments, or, they may not be available, even under market conditions where their use could be beneficial for the relevant Subfund.

### **Investment Risk**

#### **Investments in Equities**

The risks associated with investments in shares (and equity-type securities) include in particular significant fluctuations in market prices, adverse issuer or market information and the subordinate status of equity compared to debt securities issued by the same company. Investors should also consider the risk attached to fluctuations in exchange rates, possible imposition of exchange controls and other restrictions.

#### **Investments in Fixed Income Securities**

Investments in securities of issuers from different countries and denominated in different currencies offer potential benefits not available from investments solely in securities of issuers from a single country, but also involve certain significant risks that are not typically associated with investing in the securities of issuers located in a single country. Among the risks involved are fluctuations in interest rates as well as fluctuations in currency exchange rates (as further described above under section Interest Rate Risk and Foreign Exchange Risk) and the possible imposition of exchange control regulations or other laws or restrictions applicable to such investments. A decline in the value of a particular currency in comparison with the Reference Currency of the Subfund would reduce the value of certain portfolio securities that are denominated in such a currency.

An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, may fluctuate independently of each other.

As the Net Asset Value of a Subfund is calculated in its Reference Currency, the performance of investments denominated in a currency other than the Reference Currency will depend on the strength of such currency against the Reference Currency and on the interest rate environment in the country issuing the currency. In the absence of other

events that could otherwise affect the value of non-Reference Currency investments (such as a change in the political climate or an issuer's credit quality), an increase in the value of the non-Reference Currency can generally be expected to increase the value of a Subfund's non-Reference Currency investments in terms of the Reference Currency. The Subfunds may invest in investment grade debt securities. Investment grade debt securities are assigned ratings within the top rating categories by rating agencies on the basis of the creditworthiness or risk of default. Rating agencies review, from time to time, such assigned ratings and debt securities may therefore be downgraded in rating if economic circumstances impact the relevant debt securities issue. Moreover, the Subfunds may invest in debt instruments in the non investment grade sector (high yield debt securities). Compared to investment grade debt securities, high yield debt securities are generally lower-rated securities and will usually offer higher yields to compensate for the reduced creditworthiness or increased risk of default attached to these debt instruments.

The Subfunds may even invest in debt instruments that have no rating from any rating agencies. These securities can be considered as higher risk investments compared to debt instruments with a rating.

The Subfunds can also invest in complex or hybrid debt securities, with or without ratings, such as Convertible bonds, Convertible Contingent Debt Securities, mortgage backed debt securities...etc. Many of these instruments are generally considered as being high risk instruments and thus they usually offer higher yields to compensate for that risk.

### **Use of Derivatives**

While the use of financial derivative instruments can be beneficial, financial derivative instruments also involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments.

Derivatives are highly specialized financial instruments. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without there being any opportunity to observe the performance of the derivative under all possible market conditions.

If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index may result in a loss substantially greater than the amount invested in the derivative itself.

The other risks associated with the use of derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Many derivatives are complex and are often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the Fund. Consequently, the Fund's use of derivatives may not always be an effective means to achieve the Fund's investment objective and may sometimes even have the contrary effect.

Derivative instruments also carry the risk that a loss may be sustained by the Fund as a result of the failure of the counterparty to a derivative to comply with the terms of the contract (as further described under Counterparty Risk above). The default risk for exchange-traded derivatives is generally less than for privately negotiated derivatives, since the clearing house, which is the issuer or counterparty to each exchange-traded derivative, assumes a guarantee of performance. In addition, the use of credit derivatives (credit default swaps, credit linked notes) carries the risk of a loss arising for the Fund if one of the entities underlying the credit derivative defaults.

Moreover, OTC derivatives may bear liquidity risks. The counterparties with which the Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such cases, the Fund might



not be in a position to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position which might adversely affect its performance. Unlike exchange-traded derivatives, forward, spot and option contracts on currencies do not provide the Management Company with the possibility to offset the Fund's obligations through an equal and opposite transaction. Therefore, through entering into forward, spot or options contracts, the Fund may be required, and must be able, to perform its obligations under these contracts.

The use of derivative instruments may or may not achieve its intended objective.

#### **Contingent Convertible Debt Securities**

The Fund may invest in contingent convertible debt securities (the "**Contingent Convertible Debt Securities**") which are hybrid securities issued by banks as debt instruments with a non-discretionary, pre-defined trigger event stated in the terms and conditions of their issue, which if occurs automatically triggers the loss absorption mechanism embedded within the security. Contingent Convertible Debt Securities are subject to the following risks:

*Trigger levels and conversion risks:* Contingent Convertible Debt Securities are complex financial instruments in respect of which trigger levels and conversion risk, depending on the distance of the capital ratio to the trigger level, differ. It might be difficult for the management company to anticipate the triggering events that would require the debt to convert into equity and to assess how the securities will behave upon conversion. In case of conversion into equity, the management company might be forced to sell these new equity shares because the investment policy of the Fund does not allow equity in its portfolio. This forced sale may itself lead to liquidity issue for these shares.

*Unknown and yield risks:* the structure of the Contingent Convertible Debt Securities is innovative yet untested. Investors have been drawn to this instrument as a result of its often attractive yield which may be viewed as a complexity premium. Yield has been a primary reason this asset class has attracted strong demand, yet it remains unclear whether investors have fully considered the underlying risks. Relative to more highly rated debt issues of the same issuer or similarly rated debt issues of other issuers, Contingent Convertible Debt Securities tend to compare favourably from a yield standpoint. The concern is whether investors have fully considered the risk of conversion or, for AT1 Contingent Convertible Debt Securities, coupon cancellation.

*Write-down, capital structure inversion and industry concentration risks:* the investment in Contingent Convertible Debt Securities may also result in a material loss. In this event, should a Contingent Convertible Debt Security undergo a write-down, the Contingent Convertible Debt Securities' investors may lose some or all of its original investment. Contrary to classical capital hierarchy, Contingent Convertible Debt Securities' investors may suffer a loss of capital when equity holders do not. To the extent that the investments are concentrated in a particular industry, the Contingent Convertible Debt Securities' investors will be susceptible to loss due to adverse occurrences affecting that industry.

*Call extension risk:* Contingent Convertible Debt Securities are issued as perpetual instruments, callable at pre-determined levels only with the approval of the competent authority.

*Coupon cancellation risk:* for some Contingent Convertible Debt Securities, coupon payments are entirely discretionary and may be cancelled by the issuer at any point, for any reason and for any length of time.

*Liquidity risk:* In certain circumstances finding a ready buyer for Contingent Convertible Debt Securities may be difficult and the seller may have to accept a significant discount to the expected value of the bond in order to sell it.

#### **Securitized Bonds**

Certain Funds may invest in asset-backed securities which are securities whose income payments and therefore value are derived from and collateralized (or "backed") by a specified pool of underlying assets which may be commercial or residential mortgages, credit card receivables, student loans, auto loans, other commercial or consumer receivables, corporate loans, bonds, and whole business securitisation (the "**Asset-Backed Securities**").

The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities such as government issued bonds.

Asset-Backed Securities are often exposed to extension risk (where obligations on the underlying assets are not paid on time) and prepayment risks (where obligations on the underlying assets are paid earlier than expected), these risks may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities.

Prepayment risk is typically greater when interest rates are declining as mortgages and loans are prepaid. This may negatively impact the return of any Fund investing in such security as the income generated will have to be reinvested at the lower prevailing interest rates. Conversely, extension risk tends to increase when interest rates rise as the prepayment rate decreases causing the duration of Asset-Backed Securities to lengthen and expose investors to higher interest rate risk.

The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.

Mortgage-backed securities are securities representing an interest in a pool of loans secured by mortgages (the "**Mortgage-Backed Securities**"). Principal and interest payments on the underlying mortgages are used to pay principal and interest on the security.

The abovementioned risks described of Asset-Backed Securities also apply to Mortgage-Backed Securities.

#### **Investments in illiquid Assets**

The Fund may invest up to 10% of the total net assets of each Subfund in transferable securities or money market instruments which are not traded on stock exchanges or regulated markets. It may therefore be the case that the Fund cannot readily sell such securities. Moreover, there may be contractual restrictions on the resale of such securities. In addition, the Fund may under certain circumstances trade futures contracts or options thereon. Such instruments may also be subject to illiquidity in certain situations when, for example, market activity decreases, or when a daily fluctuation limit has been reached. Most futures exchanges restrict the fluctuations in future contract prices during a single day by regulations referred to as "daily limits". During a single trading day no trades may be executed at prices above or below these daily limits. Once the price of a futures contract has increased or decreased to the limit, positions can neither be purchased nor compensated. Futures prices have occasionally moved outside the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavorable positions and therefore result in losses.

For the purpose of calculating the Net Asset Value, certain instruments, which are not listed on an exchange, for which there is limited liquidity, will be valued based upon the average price taken from at least two major primary dealers. These prices may affect the price at which Units are deemed or purchased. There is no guarantee that in the event of a sale of such instruments the price thus calculated can be achieved.

### **Small to medium-sized Companies**

A number of Subfunds may invest in small and medium-sized companies. Investing in the securities of smaller, lesser-known companies involves greater risk and the possibility of price volatility due to the specific growth prospects of smaller firms, the lower degree of liquidity of the markets for such stocks and the greater sensitivity of smaller companies to changing market conditions.

### **Hedged Class of Units Risk**

The hedging strategy applied to hedged Classes of Units may vary from one Subfund to another. Each Subfund will apply a hedging strategy which aims to reduce currency risk between the Reference Currency of the respective Subfund and the nominal currency of the hedged Class of Units while taking various practical considerations into account. The hedging strategy aims to reduce, however may not totally eliminate, currency exposure.

Investors should note that there is no segregation of liabilities between the individual Classes of Units with a Subfund. Hence, there is a risk that under certain circumstances, hedging transactions in relation to a hedged Class of Units could result in liabilities affecting the Net Asset Value of the other Classes of Units of the same Subfund. In such case assets of other Classes of Units of such Subfund may be used to cover the liabilities incurred by the hedged Class of Units.

Classes of Units issued in currencies with limited or non-convertibility could be subject to a higher volatility compared to hedged Classes of Units issued in freely convertible currencies.

### **Clearing and Settlement Procedures**

Different markets also have different clearing and settlement procedures. Delays in settlement may result in a portion of the assets of a Subfund remaining temporarily uninvested and no return is earned thereon. The inability of the Management Company to make intended security purchases due to settlement problems could cause a Subfund to miss attractive investment opportunities. The inability to dispose of portfolio securities due to settlement problems could result either in losses to a Subfund due to subsequent declines in value of the portfolio security or, if a Subfund has entered into a contract to sell the security, could result in possible liability to the purchaser.

### **Sustainable finance/Environmental, Social and Governance Risks ("ESG")**

On 10 March 2021, the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR") enters into force. Sustainable finance is a relatively new field of finance. Currently, there is no universally accepted framework or list of factors to consider to ensure that investments are sustainable. Furthermore, the legal and regulatory framework governing sustainable finance is still under development, in particular the level 2 draft regulatory technical standards referred to in the SFDR.

The lack of common standards may result in different approaches to setting and achieving ESG objectives. Sustainability factors may vary depending on investment themes, asset classes, investment philosophy and subjective use of different ESG indicators governing portfolio construction. The selection and weightings applied, may to a certain extent be subjective or based on metrics that may share the same name but have different underlying meanings. ESG information, whether from an external and/or internal source, is, by nature and in many instances, based on a qualitative and judgmental assessment, especially in the absence of well-defined market standards and due to the existence of multiple approaches to sustainable investment. An element of subjectivity and discretion is therefore inherent to the interpretation and use of ESG data. It may consequently be difficult to compare strategies integrating ESG criteria. Investors should note that the subjective value that they may or may not assign to certain types of ESG criteria may differ substantially from that of a Subfund.

ESG information from third-party data providers may be incomplete, inaccurate or unavailable. As a result, there exists a risk of incorrectly assessing a security or issuer, resulting in the incorrect inclusion or

exclusion of a security. ESG data providers are private undertakings that offer their services to a variety of issuers. The ESG data providers may change the evaluation of issuers or instruments, at their discretion and from time to time, due to ESG or other factors.

The approach to sustainable finance may evolve and develop over time, both due to a refinement of investment decision making processes to address ESG factors and risks and because of legal and regulatory developments.

Sustainability factors including environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters may represent a sustainability risk, that, if it occurs, similarly to other risks, could cause an actual or potential material negative impact on the value of the investments held by the Fund. In a similar way, sustainability factors may represent an opportunity for the Fund that, if it occurs, could cause an actual or potential material positive impact on the value of investments in the Fund.

The consideration of sustainability factors and sustainability risks within the investment decision process may have either a positive or a negative impact on the value of investments and the overall performance of the Fund.

The Management Company is responsible for the assessment of the impact of sustainability risks, if any, on the Fund and, in their role as Management Company, for the risk management of the Fund. The Management Company's policy with regard to the integration of sustainability risks in the investment decision-making process is published on their website here: <https://www.buyandhold.es/ftpdata/files/ESGI.pdf>.

The Fund does not promote environmental or social characteristics, nor does it have sustainable investment as its objective. The Fund is therefore considered as an "Article 6" financial product in accordance with the SFDR.

Should the approach to the consideration of sustainability factors and the related risks change, either following finalisation of the regulatory and legal framework, or based on decisions by the Management Company with regard to the investment policy, this Prospectus will be updated.

### **Investment Countries**

The issuers of fixed income securities and the companies, the shares of which are purchased, are generally subject to different accounting, auditing and financial reporting standards in the different countries of the world. The volume of trading, volatility of prices and liquidity of issuers may vary from one market or country to another. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. The laws and regulations of some countries may restrict the Fund's ability to invest in securities of certain issuers located in those countries.

### **Concentration on certain Countries/Regions**

Where a Subfund restricts itself to investing in securities of issuers located in a particular country or group of countries, such concentration will expose the Subfund to the risk of adverse social, political or economic events which may occur in that country or countries.

The risk increases if the country in question is an emerging market. Investments in such Subfunds are exposed to the risks which have been described; these may be exacerbated by the special factors pertaining to this emerging market.

### **Investments in Emerging Countries**

Investors should note that certain Subfunds may invest in less developed or emerging markets. Investing in emerging markets may carry a higher risk than investing in developed markets.

The securities markets of less developed or emerging markets are generally smaller, less developed, less liquid and more volatile than the securities markets of developed markets. In addition, there may be a higher than usual risk of political, economic, social and religious instability

and adverse changes in government regulations and laws in less developed or emerging markets, which could affect the investments in those countries. The assets of Subfunds investing in such markets, as well as the income derived from the Subfund, may also be effected unfavorably by fluctuations in currency rates and exchange control and tax regulations and consequently the Net Asset Value of Units of these Subfunds may be subject to significant volatility. Also, there might be restrictions on the repatriation of the capital invested.

Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such markets may be subject to unexpected closure. In addition, there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more developed securities markets.

Moreover, settlement systems in emerging markets may be less well organized than in developed markets. Thus, there may be a risk that settlement may be delayed and that cash or securities of the concerned Subfunds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank through whom the relevant transaction is effected might result in a loss being suffered by the Subfunds investing in emerging market securities.

It must also be borne in mind that companies are selected regardless of their market capitalization (micro, small, mid, large caps), sector or geographical location. This may lead to a concentration in geographical or sector terms.

Subscriptions in the relevant Subfunds are thus only suitable for investors who are fully aware of, and able to bear, the risks related to this type of investment.

#### **Industry/Sector Risk**

The Subfunds may invest in specific industries or sectors or a group of related industries. These industries or sectors may, however, be affected by market or economic factors, which could have a major effect on the value of the Subfund's investments.

#### **Sanctions**

Certain countries or designated persons or entities may, from time to time, be subject to sanctions and other restrictive measures imposed by states or supranational authorities (for example, but not limited to, the European Union or the United Nations), or their agencies (collectively, **Sanctions**).

Sanctions may be imposed among others on foreign governments, state-owned enterprises, sovereign wealth funds, specified companies or economic sectors, as well as non-state actors or designated persons associated with any of the foregoing. Sanctions may take different forms, including but not limited to trade embargoes, prohibitions or restrictions to conduct trade or provide services to targeted countries or entities, as well as seizures, asset freezes and/or the prohibition to provide or receive funds, goods or services to or from designated persons.

Sanctions may adversely affect companies or economic sectors in which the Fund, or any of its Subfunds, may from time to time invest. The Fund could experience, among others, a decrease in value of securities of any issuer due to the imposition of Sanctions, whether directed towards such issuer, an economic sector in which such issuer is active, other companies or entities with which such issuer conducts business, or towards the financial system of a certain country. Because of Sanctions, the Fund may be forced to sell certain securities at unattractive prices, at inopportune moments and/or in unfavourable circumstances where it may not have done so in the absence of Sanctions. Even though the Fund will make reasonable efforts, acting in the best interest of the investors, to sell such securities under optimal conditions, such forced sales could potentially result in losses for the Subfunds concerned. Depending on the circumstances, such losses could be considerable. The Fund may also experience adverse consequences due to an asset freeze or other restrictive measures directed at other companies, including but not limited to any entity that serves as a counterparty to derivatives, or as a sub-custodian, paying agent or other service provider to the Fund or any of its Subfunds. The imposition of Sanctions may require the Fund to sell securities, terminate ongoing agreements, lose access to certain markets

or essential market infrastructure, cause some or all of a Subfund's assets to become unavailable, freeze cash or other assets belonging to the Fund and/or adversely affect the cash flows associated with any investment or transaction.

The Fund, the Management Company, the Depositary, the Central Administration (collectively, the **Fund Parties**) are required to comply with all applicable sanctions laws and regulations in the countries in which the Fund Parties conduct business (recognizing that certain of the sanctions regimes have implications for cross-border or foreign activities) and will implement the necessary policies and procedures to this effect (collectively, **Sanctions Policies**). These Sanctions Policies will be developed by the Fund Parties in their discretion and best judgment and may involve protective or preventive measures that go beyond the strict requirements of applicable laws and regulations imposing any Sanctions. Under no circumstances will the Fund Parties be liable for any losses suffered by the Fund or any of its Subfunds because of the imposition of Sanctions, or from their compliance with any Sanctions Policies.

#### **Taxation**

The proceeds from the sale of securities in some markets or the receipt of any dividends and other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market, including taxation levied by withholding at source.

It is possible that the tax law (and/or the current interpretation of the law) as well as the practice in countries, into which the Subfunds invest or may invest in the future, might change. As a result, the Fund could become subject to additional taxation in such countries that is not anticipated either at the date of this Prospectus or when investments are made, valued or disposed of.

#### **FATCA**

The Fund may be subject to regulations imposed by foreign regulators, in particular FATCA. FATCA provisions generally impose a reporting to the U.S. Internal Revenue Service of non-U.S. financial institutions that do not comply with FATCA and U.S. persons' (within the meaning of FATCA) direct and indirect ownership of non-U.S. accounts and non-U.S. entities. Failure to provide the requested information will lead to a 30% withholding tax applying to certain U.S. source income (including dividends and interest) and gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends.

Under the terms of FATCA, the Fund will be treated as a Foreign Financial Institution (within the meaning of FATCA). As such, the Management Company may require all investors to provide documentary evidence of their tax residence and all other information deemed necessary to comply with the above mentioned regulations.

On 28 March 2014, the Grand-Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement (**IGA**) with the United States of America and a memorandum of understanding in respect thereof. The Fund would hence have to comply with such Luxembourg IGA as implemented into Luxembourg law by the Law of 24 July 2015 relating to FATCA (the **FATCA Law**).

Under the FATCA Law and the IGA, the Management Company may be required to collect information aiming to identify its direct and indirect Unitholders that are Specified US Persons for FATCA purposes (**FATCA reportable accounts**).

Any such information on FATCA reportable accounts provided to the Management Company will be shared with the Luxembourg tax authorities which will exchange that information on an automatic basis with the Government of the United States of America pursuant to Article 28 of the convention between the Government of the United States of America and the Government of the Grand-Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes in Income and Capital, entered into in Luxembourg on 3 April 1996.

To be deemed FATCA and FATCA Law compliant, the Fund intends to comply with the provisions of the IGA and should therefore not be subject to the 30% withholding tax with respect to its Unit of any such payments

attributable to actual and deemed U.S investments of the Fund. The Management Company will continually assess the extent of the requirements that FATCA and notably FATCA Law place upon it.

Should the Fund become subject to a withholding tax as a result of FATCA, the value of the Units held by all Unitholders may be materially affected. The Fund and/or its Unitholders may also be indirectly affected by the fact that a non U.S. financial entity does not comply with FATCA regulations even if the Fund satisfies with its own FATCA obligations.

To ensure the Fund's compliance with FATCA, the FATCA Law and the IGA in accordance with the foregoing, the Management Company, in its capacity as the Fund's Management Company, may:

- request information or documentation, including but not limited to W-8 tax forms, a Global Intermediary Identification Number, if applicable, or any other valid evidence of a Unitholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain such Unitholder's FATCA status and to comply with applicable laws and regulations and/or to promptly determine the amount of withholding to be retained;
- report information concerning a Unitholder and his account holding in the Fund to the Luxembourg tax authorities if such account is deemed a FATCA reportable account under the FATCA Law and the Luxembourg IGA;
- provide information to the Luxembourg tax authorities (*Administration des Contributions Directes*) concerning payments to Unitholders with FATCA status of a non-participating foreign financial institution;
- deduct applicable US withholding taxes from certain payments made to a Unitholder by or on behalf of the Fund in accordance with FATCA, the FATCA Law and the Luxembourg IGA; and
- divulge any such personal information to any tax authority, as may be required by applicable laws or regulations or requested by such authority.

The Management Company acting on behalf of the Fund reserves the right to refuse any application for Units if the information provided by potential investor does not satisfy the requirements under FATCA, the FATCA Law and the IGA.

#### Common Reporting Standard

The Fund may be subject to the Standard for Automatic Exchange of Financial Account Information in Tax matters (the **Standard**) and its Common Reporting Standard (the **CRS**) as set out in the Luxembourg law dated 18 December 2015 implementing Council Directive 2014/107/EU of 9 December 2014 as regards mandatory automatic exchange of information in the field of taxation (the **CRS-Law**).

Capitalized terms used in this section have the meaning as set forth in the CRS-Law, unless provided otherwise herein.

Under the terms of the CRS-Law, the Fund is treated as a Luxembourg Reporting Financial Institution. As such, as of 30 June 2017 and without prejudice to other applicable data protection provisions, the Fund is required to annually report to the Luxembourg tax authority personal and financial information related, inter alia, to the identification of, holdings by and payments made to (i) certain Unitholders as per the CRS-Law (the **Reportable Persons**) and (ii) Controlling Persons of certain non-financial entities (**NFEs**) which are themselves Reportable Persons. This information, as exhaustively set out in Annex I of the CRS-Law (the Information), will include personal data related to the Reportable Persons.

The Fund's ability to satisfy its reporting obligations under the CRS-Law will depend on each Unitholder providing the Fund respectively the Management Company or any third party designated by the

Management Company with the Information, along with the required supporting documentary evidence. In this context, the Unitholders are hereby informed that, as data controller, the Management Company or any third party designated by the Management Company will process the Information for the purposes as set out in the CRS-Law. The Unitholders undertake to inform their Controlling Persons, if applicable, of the processing of their Information by the Management Company.

The term Controlling Person means in the present context any natural persons who exercise control over an entity. In the case of a trust it means the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, persons in equivalent or similar positions. The term Controlling Person must be interpreted in a manner consistent with the Financial Action Task Force Recommendations.

The Unitholders are further informed that the Information related to Reportable Persons within the meaning of the CRS-Law will be disclosed to the Luxembourg tax authority annually for the purposes set out in the CRS-Law. In particular, Reportable Persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg tax authority.

Similarly, the Unitholders undertake to inform the Fund respectively the Management Company or any third party designated by the Management Company within thirty (30) days of receipt of these statements should any included personal data be not accurate. The Unitholders further undertake to immediately inform of, and provide the Fund respectively the Management Company or any third party designated by the Management Company with all supporting documentary evidence of any changes related to the Information after occurrence of such changes.

Any Unitholder that fails to comply with the Management Company's or designated party's Information or documentation requests may be held liable for penalties imposed on the Fund and attributable to such Unitholder's failure to provide the Information.

#### 8. Net Asset Value

Unless otherwise specified in Chapter 19, Subfunds, the Net Asset Value of the Units in each Subfund shall be calculated in the Reference Currency of the respective Subfund and shall be determined by the Management Company in Luxembourg on each Banking Day (each such day being referred to as a **Valuation Day**).

In case the Valuation Day is not a full Banking Day in Luxembourg, the Net Asset Value of that Valuation Day will be calculated on the next following Banking Day. If a Valuation Day falls on a day which is a holiday in countries whose stock exchanges or other markets are decisive for valuing the majority of a Subfund's assets, the Management Company may decide, by way of exception, that the Net Asset Value of the Units in this Subfund will not be determined on such days.

For determining the Net Asset Value, the assets and liabilities of the Fund shall be allocated to the Subfunds (and to the individual Classes of Units within each Subfund), and the calculation is carried out by dividing the Net Asset Value of the Subfund by the total number of Units outstanding for the relevant Subfund or the relevant Class of Units. If the Subfund in question has more than one Class of Units, that portion of the Net Asset Value of the Subfund attributable to the particular Class of Units will be divided by the number of issued Units of that Class of Units.

The Net Asset Value of an Alternate Currency Class of Units shall be calculated first in the Reference Currency of the relevant Subfund.

The Net Asset Value of the Alternate Currency Class of Units will in particular reflect the costs and expenses incurred for the currency conversion in connection with the subscription, redemption or conversion of the relevant Class of Units and for hedging the currency risk.

Unless otherwise specified in Chapter 19, Subfunds, the assets of each Subfund shall be valued as follows:

- a) Securities which are listed or regularly traded on a stock exchange shall be valued at the last available traded price. If such a price is not available for a particular trading day, the closing mid-price (the mean of the closing bid and ask prices), or alternatively the closing bid price, may be taken as a basis for the valuation.
- b) If a security is traded on several stock exchanges, the valuation shall be made by reference to the exchange which is the main market for this security.
- c) In the case of securities for which trading on a stock exchange is not significant but which are traded on a secondary market with regulated trading among securities dealers (with the effect that the price reflects market conditions), the valuation may be based on this secondary market.
- d) Securities traded on a regulated market shall be valued in the same way as those listed on a stock exchange.
- e) Securities that are not listed on a stock exchange and are not traded on a regulated market shall be valued at their last available market price. If no such price is available, the Management Company shall value these securities in accordance with other criteria to be established by the Management Company and on the basis of the probable sales price, the value of which shall be estimated with due care and in good faith.
- f) Derivatives shall be treated in accordance with the above. OTC swap transactions will be valued on a consistent basis on bid, offer or mid prices as determined in good faith pursuant to procedures established by the Management Company on behalf of the Fund. When deciding whether to use the bid, offer or mid prices the Management Company will take into consideration the anticipated subscription or redemption flows, among other parameters. If, in the opinion of the Management Company, such values do not reflect the fair market value of the relevant OTC swap transactions, the value of such OTC swap transactions will be determined in good faith by the Management Company, or by such offer method as it deems in its discretion appropriate.
- g) The valuation price of a money market instrument which has a maturity or remaining term to maturity of less than 12 months and does not have any specific sensitivity to market parameters, including credit risk, shall, based on the net acquisition price or on the price at the time when the investment's remaining term to maturity falls below 12 months, be progressively adjusted to the repayment price while keeping the resulting investment return constant. In the event of a significant change in market conditions, the basis for the valuation of different investments shall be brought into line with the new market yields.
- h) Units or shares of UCITS or UCI shall be valued on the basis of their most recently calculated net asset value, where necessary by taking due account of the redemption fee. Where no net asset value and only buy and sell prices are available for units or shares of UCITS or other UCI, the units or shares of such UCITS or other UCIs may be valued at the mean of such buy and sell prices.
- i) The value of credit default swaps is calculated on a regular basis using comprehensible, transparent criteria. The Management Company and the Independent Auditor shall monitor the comprehensibility and transparency of the valuation methods and their application.
- j) Liquid assets, fiduciary and fixed-term deposits shall be valued at their respective nominal value plus accrued interest.

The amounts resulting from such valuations shall be converted into the Reference Currency of each Subfund at those rates, which are determined on any Valuation Day at 5 p.m. (Central European Time).

Foreign exchange transactions conducted for the purpose of hedging currency risks shall be taken into consideration when carrying out this conversion.

Furthermore, if specific techniques are employed for specific Classes of Units for the purpose of hedging or other risk management purposes the profit and loss amounts resulting from such transactions and the related costs shall be allocated solely to such Classes of Units.

If a valuation in accordance with the above rules is rendered impossible or incorrect due to particular or changed circumstances, the Management Company shall be entitled to use other generally recognized and auditable valuation principles in order to reach a proper valuation of the Subfund's assets.

The Net Asset Value of a Unit shall be rounded up or down, as the case may be, to the next smallest unit of the Reference Currency which is currently used unless otherwise specified in Chapter 19, Subfunds.

The Net Asset Value of one or more Subfunds may also be converted into other currencies at those rates, which are determined on any Valuation Day at 5 p.m. (Central European Time), should the Management Company decide to effect the issue and redemption of Units in one or more other currencies. Should the Management Company determine such currencies, the Net Asset Value of the respective Units in these currencies shall be rounded up or down to the next smallest unit of currency.

In exceptional circumstances, further valuations may be carried out on the same day; such valuations will be valid for any applications for subscription and/or redemption subsequently received.

The total Net Asset Value of the Fund shall be calculated in Fund's Reference Currency.

## 9. Expenses and Taxes

### Tax Status

The following information is based on the laws, regulations, decisions and practices currently applicable in the Grand Duchy of Luxembourg and is subject to changes therein, possibly with retrospective effect.

This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold or dispose of Units and is not intended as tax advice to any particular investor or potential investor.

Prospective investors should consult their own professional advisers as to the implications of buying, holding or disposing of Units and to the provisions of the laws of the jurisdiction in which they are subject to tax. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

The following is based on the Management Company's understanding of certain aspects of the law and practice currently in force in Luxembourg. There can be no guarantee that the tax position at the date of this Prospectus or at the time of an investment will endure indefinitely.

### Taxation of the Fund

The Fund is not subject to any taxes in Luxembourg in income or capital gains.

The Fund's assets are subject to a tax (*taxe d'abonnement*) in the Grand Duchy of Luxembourg of 0.05% per annum based on its net asset value at the end of the relevant quarter and payable quarterly.

A reduced subscription tax rate (*taxe d'abonnement*) of 0.01% per annum is applicable to:

- individual Subfunds the exclusive object of which is the collective investment in money market instruments and the placing of deposits with credit institutions;
- individual Subfunds the exclusive object of which is the collective investment in deposits with credit institutions; and,
- individual Subfunds as well as for individual Classes of Units, provided that the Shares of such Subfund or Class of Units are reserved to one or more institutional investors (defined as investors referred to in Article 174, para. 2, lit. c) of the Law of December 17, 2010 and meeting the conditions resulting from the Luxembourg regulator's administrative practice).

The Net Asset Value of each Subfund at the end of each quarter is taken as the basis for calculation.

Subscription tax exemption applies to:

- the value of the assets of a Subfund represented by units or shares held in other UCIs, provided such units or shares have already been subject to the subscription tax;
- individual Subfunds (i) whose securities are reserved for institutional investors, (ii) whose exclusive object is the collective investment in money market instruments and the placing of deposits with credit institutions, (iii) whose weighted residual portfolio maturity must not exceed ninety (90) days, and (iv) which have obtained the highest possible rating from a recognized rating agency; and
- Subfunds or dedicated classes reserved for (i) institutions for occupational retirement provision, or similar investment vehicles, created on the initiative of a same group for the benefit of its employees and (ii) undertakings of this same group investing funds they hold, to provide retirement benefits to their employees.

#### **Withholding tax**

Under current Luxembourg tax law, there is no tax on any distribution, redemption or payment made by the Fund to its Unitholders. There is also no withholding tax on the distribution of liquidation proceeds to the Unitholders.

Dividends, interest, income and gains received by the Fund on its investments may be subject to non-recoverable withholding tax or other taxes in the countries of origin.

#### **Taxation of the Unitholders**

From a Luxembourg tax perspective, the Fund as a co-ownership between the investors without legal personality, is in principle fully tax transparent. Unitholders will be subject to tax on the income and capital gains derived from the investment in accordance with the laws in force in their country of residence.

Under current legislation, Unitholders are not subject to any capital gains, income or withholding tax in Luxembourg except for those domiciled, resident or having a permanent establishment in Luxembourg.

As a matter of administrative practice, capital gains derived from the Fund are not subject to tax if realized at least 6 months after the subscription or purchase of the Units and provided that the investment in the Fund does not represent a substantial holding, unless the Unitholder claims the strict application of the tax transparency of the Fund and will be regarded as having realized the profits and losses on the underlying investment in the Fund. The Unitholders are deemed realizing themselves the profits and losses of the Fund at the time the Fund realizes them. Distributions of the Fund will be subject to income tax.

Non-Luxembourg residents are not subject to any capital gains, income or withholding tax unless not protected by a tax treaty, who hold through

the Fund more than 10% of a Luxembourg company and have their Units in the Fund redeemed less than 6 months after subscription of the Units in the Fund.

The Fund collects the income generated after deduction of any withholding tax in the relevant countries. From a Luxembourg tax perspective, any potential entitlement to reduction in the rate of applicable withholding taxes depends on the status of the Unitholders, as the Fund is a co-ownership between the Unitholders. Where a Unitholder is exempt from tax in his/her/its country of residence, or is eligible for treaty relief under a double tax treaty concluded between his/her/its country of residence and the country where the security is located, it may be possible to obtain a full or partial refund of his/her/its proportionate share of the withholding tax suffered by the Fund.

This Prospectus does not attempt to summarise the tax consequences of subscribing, holding, converting, redeeming or otherwise acquiring or disposing of Units and/or of receiving dividends in respect of Units of the Fund. The tax consequences will vary for each investor in accordance with the laws and practices currently in force in an investor's country of citizenship, residence or temporary domicile, and in accordance with his or her personal circumstances.

Prospective investors should therefore ensure they are fully informed in this respect and are advised to consult a lawyer, bank manager, or other financial advisor in relation to the possible tax consequences, the legal requirements and any foreign exchange restrictions or exchange control requirements which they might encounter under the law of the country(ies) of their citizenship, residence or domicile and which might be relevant to the subscription, holding, conversion, redemption or disposal of Units.

#### **Certain U.S. Regulatory and Tax Matters – Foreign Account Tax Compliance**

Capitalized terms used in this section should have the meaning as set forth in the Luxembourg amended law dated 24 July 2015 (the **FATCA Law**), unless provided otherwise herein.

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (commonly known as **FATCA**) generally impose a new reporting regime and potentially a 30% withholding tax with respect to (i) certain US source income (including dividends and interest) and gross proceeds from the sale or other disposal of property that can produce US source interest or dividends (**Withholdable Payments**) and (ii) a portion of certain non-US source payments from non-US entities that have not entered into FFI Agreements (as defined below) to the extent attributable to Withholdable Payments (**Passthru Payments**). As a general matter, the new rules are designed to require US Persons' direct and indirect ownership of non-US accounts and non-US entities to be reported to the US Internal Revenue Service (the **IRS**). The 30% withholding tax regime applies if there is a failure to provide required information regarding US ownership.

Generally, the new rules will subject all Withholdable Payments and Passthru Payments received by the Fund to 30% withholding tax (including the share that is allocable to Non-US Investors) unless the Management Company, acting on behalf of the Fund, enters into an agreement (a **FFI Agreement**) with the IRS to provide information, representations and waivers of non-US law (including any waivers relating to data protection) as may be required to comply with the provisions of the new rules, including, information regarding its direct and indirect US account holders, or otherwise qualifies for an exemption, including an exemption under an intergovernmental agreement (or **IGA**) between the United States and a country in which the non-US entity is resident or otherwise has a relevant presence.

The governments of Luxembourg and the United States have entered into an IGA regarding FATCA. Provided the Fund adheres to any applicable terms of the IGA, the Fund will not be subject to withholding or generally required to withhold amounts on payments it makes under FATCA.

Additionally, the Management Company will not have to enter, on behalf of the Fund, into an FFI agreement with the IRS and instead will be required to obtain information regarding its Unitholders and to report such information to the Luxembourg government, which, in turn, will report such information to the IRS.

Any tax caused by a Unitholder's failure to comply with FATCA will be borne by such Unitholder.

Each prospective investor and each Unitholder should consult its own tax advisors regarding the requirements under FATCA with respect to its own situation.

Each Unitholder and each transferee of a Unitholder's interest in any Subfund shall furnish (including by way of updates) to the Management Fund, or any third party designated by the Management Company (a **Designated Third Party**), in such form and at such time as is reasonably requested by the Management Company (including by way of electronic certification) any information, representations, waivers and forms relating to the Unitholder (or the Unitholder's direct or indirect owners or account holders) as shall reasonably be requested by the Management Company or the Designated Third Party to assist it in obtaining any exemption, reduction or refund of any withholding or other taxes imposed by any taxing authority or other governmental agency (including withholding taxes imposed pursuant to the Hiring Incentives to Restore Employment Act of 2010, or any similar or successor legislation or intergovernmental agreement, or any agreement entered into pursuant to any such legislation or intergovernmental agreement) upon the Fund, amounts paid to the Fund, or amounts allocable or distributable by the Management Company on behalf of the Fund to such Unitholder or transferee.

In the event that any Unitholder or transferee of a Unitholder's interest fails to furnish such information, representations, waivers or forms to the Management Company or the Designated Third Party, the Management Company or the Designated Third Party shall have full authority to take any and all of the following actions: (i) withhold any taxes required to be withheld pursuant to any applicable legislation, regulations, rules or agreements; (ii) redeem the Unitholder's or transferee's interest in any Subfund, and (iii) form and operate an investment vehicle organized in the United States that is treated as a "domestic partnership" for purposes of section 7701 of the Internal Revenue Code of 1986, as amended and transfer such Unitholder's or transferee's interest in any Subfund or interest in such Subfund assets and liabilities to such investment vehicle.

If requested by the Management Company on behalf of the Fund or the Designated Third Party, the Unitholder or transferee shall execute any and all documents, opinions, instruments and certificates as the Management Company or the Designated Third Party shall have reasonably requested or that are otherwise required to effectuate the foregoing. Each Unitholder hereby grants to the Management Company or the Designated Third Party a power of attorney, coupled with an interest, to execute any such documents, opinions, instruments or certificates on behalf of the Unitholder, if the Unitholder fails to do so.

#### **Data Protection Information in the Context of FATCA Processing**

In accordance with the FATCA Law, Luxembourg Financial Institutions (**FI**) are required to report to the Luxembourg tax authority (i.e. Administration des Contributions Directes, the **Luxembourg Tax Authority**) information regarding reportable persons such as defined in the FATCA Law.

The Fund is considered a sponsored entity and as such as a non-reporting Luxembourg financial institution and shall be treated as deemed compliant foreign FI as foreseen by FATCA. The Management Company is the data controller and processes personal data of Shareholders and Controlling Persons as reportable persons for FATCA purposes.

The Management Company processes personal data concerning Unitholders or their Controlling Persons for the purpose of complying

with the Management Company's legal obligations under the FATCA Law. These personal data include the name, date and place of birth, address, U.S. tax identification number, the country of tax residence and residence address, the phone number, the account number (or functional equivalent), the account balance or value, the total gross amount of interest, the total gross amount of dividends, the total gross amount of other income generated with respect to the assets held in the account, the total gross proceeds from the sale or redemption of property paid or credited to the account, the total gross amount of interest paid or credited to the account, the total gross amount paid or credited to the Unitholder with respect to the account, standing instructions to transfer funds to an account maintained in the United States, and any other relevant information in relation to the Unitholders or their Controlling Persons for the purposes of the FATCA Law (the **FATCA Personal Data**).

The FATCA Personal Data will be reported by the Management Company or the Central Administrator, as applicable, to the Luxembourg Tax Authority. The Luxembourg Tax Authority, under its own responsibility, will in turn pass on the FATCA Personal Data to the IRS in application of the FATCA Law.

In particular, Unitholders and Controlling Persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg Tax Authority.

FATCA Personal Data may also be processed by the Management Company's data processors (**Processors**) which, in the context of FATCA processing, may include the Central Administrator.

The Management Company's ability to satisfy its reporting obligations under the FATCA Law will depend on each Unitholder or Controlling Person providing the Management Company with the FATCA Personal Data, including information regarding direct or indirect owners of each Unitholder, along with the required supporting documentary evidence. Upon request of the Management Company, each Shareholder or Controlling Person must provide the Management Company with such information. Failure to do so within the prescribed timeframe may trigger a notification of the account to the Luxembourg Tax Authority.

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

Any Unitholder or Controlling Person that fails to comply with the Management Company's documentation requests may be charged with any taxes and penalties of the FATCA law imposed on the Fund (inter alia: withholding under section 1471 of the U.S. Internal Revenue Code, a fine of up to 250.000 euros or a fine of up to 0,5 per cent of the amounts that should have been reported and which may not be less than 1.500 euros) attributable to such Unitholder's or Controlling Person's failure to provide the information and the Management Company may, in its sole discretion, redeem the Units of such Unitholders.

Unitholders and Controlling Persons should consult their own tax advisor or otherwise seek professional advice regarding the impact of the FATCA Law on their investment.

FATCA Personal Data will be processed in accordance with the provisions of the data protection notice which will be made available in the application form issued by the Management Company to the investors

#### **Automatic Exchange of Information**

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

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

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

Under the terms of the CRS-Law, the Management Company, acting on behalf of the Fund, may be required to annually report to the Luxembourg tax authority the name, address, state(s) of residence, TIN(s), as well as the date and place of birth of i) each Reportable Person that is an account holder, ii) and, in the case of a Passive NFE within the meaning of the CRS-Law, of each Controlling Person(s) that is a Reportable Person. Such information may be disclosed by the Luxembourg tax authority to foreign tax authorities.

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

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

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

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

#### **Data Protection Information in the Context of CRS Processing**

In accordance with the CRS Law, Luxembourg Financial Institutions (FI) are required to report to the Luxembourg Tax Authority information regarding Reportable Persons such as defined in the CRS Law.

As Luxembourg Reporting FI, the Fund is the data controller and processes personal data of Shareholders and Controlling Persons as Reportable Persons for the purposes set out in the CRS Law.

In this context, the Management Company may be required to report to the Luxembourg Tax Authority the name, residence address, TIN(s), the date and place of birth, the country of tax residence(s), the phone number, the account number (or functional equivalent), standing instructions to transfer funds to an account maintained in a foreign jurisdiction, the account balance or value, the total gross amount of interest, the total gross amount of dividends, the total gross amount of other income generated with respect to the assets held in the account, the total gross proceeds from the sale or redemption of property paid or credited to the account, the total gross amount of interest paid or credited to the account, the total gross amount paid or credited to the Shareholder with respect to the account, as well as any other information required by applicable laws of i) each Reportable Person that is an account holder, ii) and, in the case of a Passive NFE within the meaning of the CRS Law, of each Controlling Person that is a Reportable Person (the **CRS Personal Data**).

CRS Personal Data regarding the Unitholders or the Controlling Persons will be reported by the Reporting FI to the Luxembourg Tax Authority. The Luxembourg Tax Authority, under its own responsibility, will in turn pass on the CRS Personal Data to the competent tax authorities of one or more Reportable Jurisdiction(s). The Management Company processes the CRS Personal Data regarding the Unitholders or the Controlling Persons only for the purpose of complying with the Management Company's legal obligations under the CRS Law.

In particular, Unitholders and Controlling Persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg Tax Authority.

CRS Personal Data may also be processed by the Management Company's data processors (**Processors**) which, in the context of CRS processing, may include the Central Administrator.

The Management Company's ability to satisfy its reporting obligations under the CRS Law will depend on each Unitholder or Controlling Person providing the Management Company with the CRS Personal Data, including information regarding direct or indirect owners of each Unitholder, along with the required supporting documentary evidence. Upon request of the Management Company, each Unitholder or Controlling Person must provide the Management Company with such information. Failure to do so within the prescribed timeframe may trigger a notification of the account to the Luxembourg Tax Authority.

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

Any Unitholder or Controlling Person that fails to comply with the Management Company's documentation requests may be charged with any taxes and penalties of the CRS Law imposed on the Fund (inter alia: a fine of up to 250.000 euros or a fine of up to 0,5 per cent of the amounts that should have been reported and which may not be less than 1.500 euros) attributable to such Unitholder's or Controlling Person's failure to provide the information and the Management Company may, in its sole discretion, redeem the Units of such Unitholder.

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

CRS Personal Data will be processed in accordance with the provisions of the data protection notice which will be made available in the application form issued by the Management Company to the investors.

#### **Expenses**

Apart from the above *taxe d'abonnement*, the Fund shall bear the costs specified below, unless otherwise stated in Chapter 19, Subfunds:

- a) All taxes which may be payable on the assets, income and expenses chargeable to the Fund;
- b) Standard brokerage and bank charges incurred by the Fund through securities transactions in relation to the portfolio (these charges shall be included in the acquisition cost of such securities and deducted from the sale proceeds);
- c) A monthly management fee (the **Management Fee**) which includes the Management Company fees and the Distributors fees. The Management Fee is payable at the beginning of each following month, based on the average Net Asset Value of the relevant Class of Units during that month. The Management Fee may be charged at different rates for individual Subfunds and Classes of Units within a Subfund or may be waived in full or partially.. Further details of the Management Fee are included in Chapter 2, Buy & Hold Luxembourg - Summary of Classes of Units;
- d) A monthly central administration fee for the Central Administration, calculated on the average Net Asset Value of the relevant Class of Units during that month and payable at the beginning of the next following month. The central administration fee may be charged at different rates for individual Subfunds and Classes of Units within a Subfund or may even be waived. Further details of the central administration fee may be found in Chapter 2, Buy & Hold Luxembourg - Summary of Classes of Units;
- e) In addition to the monthly central administration fee, the Central Administration is entitled to an annual fee to be paid out of the net assets of the relevant Subfund for its services as registrar and



transfer agent, as specified in Chapter 2, Buy & Hold Luxembourg - Summary of Classes of Units;

- f) Fees payable to the Depositary, which are charged at rates agreed from time to time with the Management Company on the basis of usual market rates prevailing in Luxembourg, and which are based on the net assets of the respective Subfund and/or the value of transferable securities and other assets held or determined as a fixed sum; the fees are payable to the Depositary on a monthly basis and may not exceed the pre-determined percentage amount although in certain cases the transaction fees and the fees of the Depositary's correspondents may be charged additionally. Further details of the Depositary fee may be found in Chapter 2, Buy & Hold Luxembourg - Summary of Classes of Units.
- g) Fees payable to the paying agents (in particular, a coupon payment commission), transfer agents and the authorized representatives in the countries of registration;
- h) All other charges incurred for sales activities and other services rendered to the Fund but not mentioned in the present section; for certain Classes of Units, these fees may be borne in full or in part by the Management Company;
- i) Fees incurred for collateral management in relation to derivative transactions;
- j) Expenses, including those for legal advice, which may be incurred by the Management Company or the Depositary through measures taken on behalf of the Unitholders;
- k) The cost of preparing, depositing and publishing the Management Regulations and other documents in respect of the Fund, including notifications for registration, Key Investor Information Documents, prospectuses or memoranda for all government authorities and stock exchanges (including local securities dealers' associations) which are required in connection with the Fund or with offering the Units; the cost of printing and distributing annual and semi-annual reports for the Unitholders in all required languages, together with the cost of printing and distributing all other reports and documents which are required by the relevant legislation or regulations of the above-mentioned authorities; the cost of book-keeping and calculating the daily Net Asset Value, the cost of notifications to Unitholders including the publication of prices for the Unitholders, the fees and costs of the Fund's auditors and legal advisers, and all other similar administrative expenses, and other expenses directly incurred in connection with the offer and sale of Units, including the cost of printing copies of the aforementioned documents or reports as are used in marketing the Fund Units. The cost of advertising may also be charged.

#### **Performance Fee**

In addition to the aforementioned costs, the respective Subfund will, if applicable, also bear a performance fee (Performance Fee) as specified for the relevant Subfund in Chapter 19, Subfunds and Chapter 2, Buy & Hold Luxembourg - Summary of Classes of Units.

#### **General Information**

All recurring fees shall first be deducted from investment income, then from the gains from securities transactions and then from the Fund's assets. Other non-recurring fees, such as the costs for establishing new Subfunds or Classes of Units, may be written off over a period of up to five years. The costs attributable to the individual Subfunds shall be allocated directly to them; otherwise the costs shall be divided among the individual Subfunds in proportion to the Net Asset Value of each Subfund.

## **10. Accounting Year**

The accounting year of the Fund starts on January 1st, each year and ends on December 31st of the same year, both days included. The first accounting year will start on the date of the launch of the Fund and will end on December 31st 2020. The first unaudited semi-annual report will be issued as of June 30th 2020, the first annual report will be issued as of December, 31st 2020.

## **11. Appropriation of the Net Income and Capital Gains**

### **Capital-growth Units**

At present, no distribution is envisaged for the capital-growth Classes of Units of the Subfunds, and the income generated shall be used to increase the Net Asset Value of the Units after deduction of general costs (capital growth).

However, the Management Company may, in accordance with the income appropriation policy as determined by the Board of Directors, distribute from time to time, in whole or in part, ordinary net income and/or realized capital gains as well as all non-recurring income, after deduction of realized capital losses.

### **Distribution Units**

The Management Company decides what distribution shall be made from the net investment income attributable to each distribution Class of Units of each Subfund. In addition, gains made on the sale of assets belonging to the Fund may be distributed to investors. Further distributions may be made from the Fund's assets in order to achieve an appropriate distribution ratio.

In the event of a distribution, this may take place on an annual basis or at any other intervals determined by the Management Company and as specified in Chapter 19, Subfunds.

### **General Information**

Payment of income distributions shall be made in the manner described in Chapter 5, Investment in Buy & Hold Luxembourg, section (iii), "Redemption of Units" and Chapter 19, Subfunds, if applicable.

Claims for distributions which are not made within five (5) years shall lapse and the assets involved shall revert to the respective Subfund.

## **12. Lifetime, Liquidation and Merger**

The Fund and the Subfunds have been established for an unlimited period, unless otherwise specified for the relevant Subfund in Chapter 19, Subfunds.

Unitholders, their heirs or other beneficiaries may not request the division or liquidation of the Fund or of one of the Subfunds.

However, the Management Company may at any time, with the approval of the Depositary, terminate the Fund and dissolve individual Subfunds or individual Classes of Units. A decision to liquidate the Fund shall be published on the *Recueil électronique des Sociétés et Associations* (RESA) and shall also be published and/or communicated to Unitholders as required by applicable laws and regulations in Luxembourg and other jurisdictions where the Units are distributed. Any decision to dissolve a Subfund shall be published in accordance with Chapter 13, Information for Unitholders. From the day the decision to liquidate is taken by the Management Company, no further Units shall be issued. However, unless otherwise decided by the Management Company, Units may still be redeemed provided equal treatment of Unitholders can be ensured. At the same time, a provision shall be made for all identifiable outstanding expenses and fees.

In case of liquidation of the Fund or a Subfund, the Management Company shall dispose of the Fund's assets in the best interests of the Unitholders and shall instruct the Depositary to distribute the net liquidation proceeds (after deduction of liquidation costs) proportionately to the Unitholders.

If the Management Company liquidates a Class of Units without terminating the Fund or a Subfund, it must redeem all Units of such Class of Units at their then current Net Asset Value. Notice of redemption shall be published by the Management Company or notified to the Unitholders when permitted under Luxembourg laws and regulations, and the redemption proceeds shall be paid to the former Unitholders in the respective currency by the Depositary or local paying agents.

Any liquidation and redemption proceeds that cannot be distributed to the Unitholders at the closure of the liquidation shall be deposited with the *Caisse de Consignation* in Luxembourg until the statutory period of limitation has elapsed.

Furthermore, the Management Company may in accordance with the definitions and conditions set out in the Law of December 17, 2010 decide to merge any Subfund, either as receiving or merging Subfund, with one or more Subfunds of the Fund by converting the Class of Units or Classes of Units of one or more Subfunds into the Class of Units or Classes of Units of another Subfund of the Fund. In such cases, the rights attaching to the various Classes of Units shall be determined by reference to the respective Net Asset Value of the respective Classes of Units on the effective date of such merger.

Moreover, the Management Company may decide to merge the Fund or any of its Subfunds, either as merging UCITS or as a receiving UCITS on a cross-border and domestic basis in accordance with the definitions and conditions set out in the Law of December 17, 2010 and the Directive 2009/65/EC.

Mergers shall be announced at least thirty (30) days in advance in order to enable Unitholders to request the redemption or conversion of their Units free of charge.

### 13. Information for Unitholders

Information about the launch of new Subfunds may be obtained from the Management Company and the Distributors on behalf of the Fund.

The audited annual reports shall be made available to Unitholders free of charge at the registered office of the Management Company, Depositary, local paying agent and Distributors, within four (4) months of the close of each accounting year. Unaudited semi-annual reports shall be made available in the same way within two (2) months of the end of the accounting period to which they refer.

Other information regarding the Fund, as well as the issue and redemption prices of the Units, may be obtained on any Banking Day at the registered office of the Management Company.

The Net Asset Value is published daily on the internet at [www.buyandhold.es](http://www.buyandhold.es).

All announcements to Unitholders, including any information relating to a suspension of the calculation of the Net Asset Value, shall, if required, be published and/or communicated to Unitholders as required by applicable laws and regulations in Luxembourg and other jurisdictions where the Units are distributed.

The Management Company may place announcements on the *Recueil électronique des Sociétés et Associations* (RESA), in the "Luxemburger Wort" or in other newspapers and periodicals of its choice.

Investors may obtain the Prospectus, the Key Investor Information Document, the latest annual and semi-annual reports and copies of the Management Regulations free of charge from the registered office of the Management Company. The relevant contractual agreements as well as the Management Company's articles of incorporation are available for inspection at the registered office of the Management Company during normal business hours.

### 14. Management Company

Buy & Hold Capital SGIC S.A., was incorporated in Spain on September 21<sup>st</sup> 2012 as a limited company for an indefinitely period. On May 11 2017, the general meeting of shareholders of the Management Company agreed to transform it into a public limited company as well as into a collective investment undertakings management company "Sociedad Gestora de Instituciones de Inversion Colectiva" (SGIIC) for an indefinite period and its articles of incorporation are deposited with the Spanish Trade and Companies Register. The Management Company is approved as a management company regulated by the Spanish Law 35/2003.

The Management Company acts as the management company of the Fund under the freedom to provide services organised by the UCITS Directive. In accordance with the relevant provisions of the Law of December 17, 2010, the Management Company will be required to comply with the CNMV Rules (being the rules of the Management Company's 'home member state' for the purposes of the Law of December 17, 2010) in relation to the organisation of the Management Company, including its delegation arrangements, risk management procedures, prudential rules and supervision, applicable prudential rules regarding the Management Company's management of UCITS authorised under the UCITS Directive and the Management Fund's reporting requirements. The Management Company shall comply with the Law of December 17, 2010 as regards the constitution and functioning of the Fund.

The equity capital of the Management Company amounts to EUR 1.274.555,64 at December 31<sup>st</sup> 2017.

The board of directors of the Management Company shall have plenary powers on behalf of the Management Company and shall cause and undertake all such actions and provisions which are necessary in pursuit of the Management Company's objective, particularly in relation to the management of the Fund's assets, administration and distribution of Units.

The board of directors of the Management Company is currently composed of the members listed in Chapter 19, Main Parties.

The Management Company will not delegate the investment management functions which will be carried out internally within the Management Company.

The Management Company has appointed an independent auditor. At present, this function is performed by Ernst & Young Société Anonyme.

As of the date of this Prospectus, in addition to the Fund, the Management Company also manages other undertakings for collective investment, as described below

- B&H Acciones FI
- B&H Flexible FI
- B&H Renta Fija FI
- B&H Deuda FI

## 15. Depositary

Pursuant to a depositary and paying agent services agreement (the **Depositary Agreement**), Credit Suisse (Luxembourg) S.A. has been appointed as depositary of the Fund (the **Depositary**). The Depositary will also provide paying agent services to the Fund.

Credit Suisse (Luxembourg) S.A. is a public limited liability company (*société anonyme*) under the laws of Luxembourg incorporated for an unlimited duration. Its registered and administrative offices are at 5, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. It is licensed to engage in all banking operations under Luxembourg law.

The Depositary has been appointed for the safe-keeping of the assets of the Fund in the form of custody of financial instruments, the record keeping and verification of ownership of other assets of the Fund as well as for the effective and proper monitoring of the Fund's cash flows in accordance with the provisions of the Law of December 17, 2010, the Directive 2009/65/EC, the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries (the **Delegated Regulation**) and the Depositary Agreement.

In addition, the Depositary shall also ensure that (i) the sale, issue, repurchase, redemption and cancellation of Units are carried out in accordance with Luxembourg law and the Management Regulations; (ii) the value of the Units is calculated in accordance with Luxembourg law and Management Regulations; (iii) the instructions of the Management Company or the Fund are carried out, unless they conflict with applicable Luxembourg law and/or the Management Regulations; (iv) in transactions involving the Fund's assets any consideration is remitted to the Fund within the usual time limits; and (v) the Fund's incomes are applied in accordance with Luxembourg law and the Management Regulations.

In compliance with the provisions of the Depositary Agreement, the Law of December 17, 2010, the Directive 2009/65/EC and the Delegated Regulation, the Depositary may, subject to certain conditions and in order to effectively conduct its duties, delegate part or all of its safe-keeping duties in relation to financial instruments that can be held in custody and that are duly entrusted to the Depositary for custody purposes to one or more sub-custodian(s), and/or in relation to other assets of the Fund all or part of its duties regarding the record keeping and verification of ownership to other delegates, as they are appointed by the Depositary from time to time.

The Depositary shall exercise all due skill, care and diligence as required by the Law of December 17, 2010 in the selection and the appointment of any sub-custodian and/or other delegate to whom it intends to delegate parts of its tasks and has to continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any sub-custodian and/or other delegate to which it has delegated parts of its tasks as well as of the arrangements of the sub-custodian and/or other delegate in respect of the matters delegated to it. In particular, any delegation of custody tasks may only occur when the sub-custodian, at all times during the performance of the tasks delegated to it, segregates the assets of the Fund from the Depositary's own assets and from assets belonging to the sub-custodian in accordance with the Law of December 17, 2010.

As a matter of principle the Depositary does not allow its sub-custodians to make use of delegates for the custody of financial instruments unless further delegation by the sub-custodian has been agreed by the Depositary. To the extent, sub-custodians are accordingly entitled to use further delegates for the purpose of holding financial instruments of the Fund or Subfunds that can be held in custody, the Depositary will require the sub-custodians to comply for the purpose of such sub-delegation with the requirements set forth by applicable laws and regulations, e.g. namely in respect of asset segregation.

Prior to the appointment and/ or the use of any sub-custodian for the purposes of holding financial instruments of the Fund or Subfunds, the

Depositary analyses - based on applicable laws and regulations as well as its conflict of interests policy - potential conflicts of interests that may arise from such delegation of safekeeping functions. As part of the due diligence process applied prior to the appointment of a sub-custodian, this analysis includes the identification of corporate links between the Depositary, the sub-custodian and/or the Management Company. If a conflict of interest was identified between the sub-custodians and any of the parties mentioned before, the Depositary would – depending on the potential risk resulting on such conflict of interest – either decide not to appoint or not to use such sub-custodian for the purpose of holding financial instruments of the Fund or require changes which mitigated potential risks in an appropriate manner and disclose the managed conflict of interest to the Fund's investors. Such analysis is subsequently performed on all relevant sub-custodians on a regular basis as part of its ongoing due diligence procedure.

Furthermore, the Depositary reviews, via a specific committee, each new business case for which potential conflicts of interest may arise between the Depositary, the Fund and the Management Company from the delegation of the safekeeping functions.

As of the date of this Prospectus, the Depositary has not identified any potential conflict of interest that could arise from the exercise of its duties and from the delegation of its safekeeping functions to sub-custodians.

As per the date of this Prospectus, the Depositary does not use any sub-custodian which is part of the Credit Suisse Group and thereby avoids conflicts of interests which might potentially result thereof.

An up-to-date list of these sub-custodians along with their delegate(s) for the purpose of holding in custody financial instruments of the Fund or Subfunds can be found on the webpage <https://www.credit-suisse.com/media/assets/private-banking/docs/lu/list-of-credit-suisse-lux-sub-custodians.pdf> and will be made available to Unitholders and investors upon request.

The Depositary's liability shall not be affected by any such delegation to a sub-custodian unless otherwise stipulated in the Law of December 17, 2010, the Directive 2009/65/EC and the Delegated Regulation and/or the Depositary Agreement.

The Depositary is liable to the Fund or its Unitholders for the loss of a financial instrument held in custody by the Depositary and/or a sub-custodian. In case of loss of such financial instrument, the Depositary has to return a financial instrument of an identical type or the corresponding amount to the Fund without undue delay. In accordance with the provisions of the Law of December 17, 2010, the Depositary will not be liable for the loss of a financial instrument, if such loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Depositary shall be liable to the Fund and to the Unitholders for all other losses suffered by them as a result of the Depositary's negligent or intentional failure to properly fulfil its duties in accordance with applicable law, in particular the Law of December 17, 2010 and/or the Depositary Agreement.

The Management Company, acting on behalf of the Fund, and the Depositary may terminate the Depositary Agreement at any time by giving ninety (90) days' notice in writing. In case of a voluntary withdrawal of the Depositary or of its removal by the Fund, the Depositary must be replaced at the latest within two (2) months after the expiry of the aforementioned termination period by a successor depositary to whom the Subfunds' assets are to be delivered and who will take over the functions and responsibilities of the Depositary. If the Management Company on behalf of the Fund, does not name such successor depositary in time the Depositary may notify the CSSF of the situation. The Management Company will take the necessary steps, if any, to initiate the liquidation of the Fund, if no successor depositary bank has been appointed within two (2) months after the expiry of the aforementioned termination notice of ninety (90) days.

## 16. Central Administration

The Management Company has delegated the tasks related to the central administration of the Fund to Credit Suisse Fund Services (Luxembourg) S.A., a service company registered in Luxembourg which belongs to Credit Suisse Group AG and has authorized the latter in turn to delegate tasks wholly or partly to one or more third parties under the supervision and responsibility of the Management Company.

As the Central Administration, Credit Suisse Fund Services (Luxembourg) S.A. has been entrusted with all administrative duties that arise in connection with the administration of the Fund, including the issue and redemption of Units, valuation of the assets, calculation of the Net Asset Value, accounting and maintenance of the register of Unitholders.

## 17. Regulatory Disclosure

### Conflicts of Interest

The Management Company has established, implemented and maintains an effective Conflict of Interest policy which is available free of charge on the website: [www.buyandhold.es](http://www.buyandhold.es).

The conflict of interest policy applies to all staff as well as to all members of the board of directors of the Management Company.

In the context of this policy, a "Conflict of Interest" is any situation, potential or real, where the different parties to this policy have interests that conflict with each other, and where the existence of such situation may potentially damage the interests of a unitholder of the Fund.

The main principles to resolve conflicts of interest are:

- If there is a Conflict of Interest between the Management Company and a client, safeguarding the interest of the latter is to prevail;
- If there is a Conflict of Interest between the members of the boards of directors of the Management Company and the Management Company, the duty of loyalty of the Management Company is to prevail; and
- If there is a Conflict of Interest between clients, the situation must be communicated to those concerned in written format if it has not been resolved beforehand. None of them should be favoured.

The Management Company has designated a Committee responsible for the supervision and implementation of this conflict of interest policy. Additionally the Management Company has designated an external compliance unit, reporting the board of directors of the Management Company, to make sure that the Management Company accomplishes all its legal obligations. Finally the Management Company keeps and updates a register of conflicts of interest.

### Complaints Handling

Investors are entitled to file complaints free of charge with the Distributor or the Management Company in an official language of their home country.

The complaints handling procedure is available free of charge on the internet at [www.buyandhold.es](http://www.buyandhold.es) and at the registered office of the Management Company.

### Exercise of Voting Rights

The Management Company has in place a dedicated policy as regards the exercise of voting rights attached to the instruments held in the Subfunds in order to act in the best interest of the Subfunds and the Unitholders and to avoid any possible conflicts of interest in relation to other funds, subfunds and investors.

The Management Company is authorized to exercise any voting rights attached to instruments held in the Subfunds on behalf of the Subfunds.

Details of the actions taken will be made available to Unitholders free of charge on their request.

### Best Execution

The Management Company acts in the best interests of the Fund when executing investment decisions. For that purpose it takes all reasonable steps to obtain the best possible result for the Fund, taking into account price, costs, speed, likelihood of execution and settlement, order size and nature, or any other consideration relevant to the execution of the order (best execution).

The best execution policy is available for investors free of charge at the registered office of the Management Company.

### Investor rights

The Management Company draws the investors' attention to the fact that any investor will only be able to fully exercise its investor rights directly against the Fund, if the investor is registered itself and in its own name in the registered account kept for the Fund and its Unitholders by the Fund's Central Administration. In cases where an investor invests in the Fund through an intermediary investing into the Fund in its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain of its rights directly against the Fund. Investors are advised to take advice on their rights.

### Remuneration Policy

The Management Company has a remuneration policy (the "Remuneration Policy") in place. Its Remuneration Policy is consistent with and promotes sound and effective risk management of the Fund, does not encourage risk-taking and does not impair compliance with the best interest of the Fund and the rules of the Fund. The fixed component of the total remuneration of identified staff will always be larger than its variable component, the latter being always granted on a discretionary basis only. The Remuneration Policy will be reviewed annually and any change to it will be submitted to the approval of the board of directors of the Management Company. Considering the nature, scope and complexity of the Management Company's activities the proportionality principle has been applied. The remuneration rules are in line with the business strategy, objectives, values and interests of the Management Company, the Fund and its investors and include measures to avoid conflicts of interest. The remuneration rules implemented by the Management Company ensure that fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The assessment of performance of the Management Company staff is set yearly.

The Remuneration Policy is available on the website of the Management Company at [https://e51f529f1bf7975203d9edc-vsf.netdna-ssl.com/wp-content/uploads/2018/09/Política-de-remuneración-v-def\\_EN.pdf](https://e51f529f1bf7975203d9edc-vsf.netdna-ssl.com/wp-content/uploads/2018/09/Política-de-remuneración-v-def_EN.pdf), and a paper copy will be made available free of charge upon request.

### Transparency of Securities Financing Transactions and of Reuse (SFTR)

#### General description of total return swaps and repurchase agreements and the rationale of their use

In order to achieve an optimum return from capital invested, while reducing investment risk through diversification, the Fund may enter into total return swaps as well as repurchase agreements.

In accordance with Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse (the **SFTR Regulation**), this Prospectus contains a general description of the total return swaps as well as repurchase agreements used and more details may be found under Chapter 19, Subfunds.

#### **Total return swap**

At the date of this Prospectus, the Fund does not engage in Total Return Swap<sup>1</sup> but may do in the future, in which case this Prospectus will be amended accordingly.

#### **Repurchase agreement**

At the date of this Prospectus, the Fund does not engage in Repurchase Agreement<sup>2</sup> nor in Reverse Repurchase Agreement but may do in the future, in which case this Prospectus will be amended accordingly.

#### **Securitisation positions**

The Fund will not hold securitisation positions in the meaning of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

### **18. Main Parties**

#### **Management Company**

Buy & Hold Capital SGIC S.A.  
Calle de la Cultura 1  
46002 Valencia (Spain)

#### **Board of Directors of the Management Company**

##### **Julian Pascual Huerta**

President, Buy & Hold Capital SGIC S.A.

##### **Chief of Internal Audit**

##### **Rafael Valera Vargas**

CEO, Buy & Hold Capital SGIC S.A.

##### **Chief of Risk Management**

##### **Antonio Aspas Romano**

Secretary, Buy & Hold Capital SGIC S.A.

##### **Chief of Compliance**

#### **Independent Auditor of the Fund**

Ernst & Young, *société anonyme*,  
35E, Avenue John F. Kennedy  
L-1855 Luxembourg

#### **Depositary**

Credit Suisse (Luxembourg) S.A.,  
5, rue Jean Monnet,  
L-2180 Luxembourg

#### **Legal Advisor**

Ganado SARL  
45 boulevard Prince Henri  
L-1724 Luxembourg

#### **Global Distributor**

Buy & Hold Capital SGIC S.A.,  
Calle de la Cultura 1  
46002 Valencia (Spain)

#### **Central Administration**

Credit Suisse Fund Services (Luxembourg) S.A.,  
5, rue Jean Monnet,  
L-2180 Luxembourg

#### **Paying Agent**

Credit Suisse (Luxembourg) S.A.,  
5, rue Jean Monnet, L-2180 Luxembourg.

<sup>1</sup> A total return swap is an agreement in which one party (total return payer) transfers the total economic performance of a reference obligation, which may for example be a share, bond or index, to the other party (total return receiver) (**Total Return Swap**). The total return receiver must in turn pay the total return payer any reduction in the value of the reference obligation and possibly certain other cash flows.

<sup>2</sup> A repurchase agreement (**Repurchase Agreement**) transaction is a forward transaction at the maturity of which a Subfund has the obligation to repurchase the assets sold and the buyer (counterparty) the obligation to return the assets received under the transaction. A reverse repurchase agreement (**Reverse Repurchase Agreement**) transaction is a forward transaction at the maturity of which the seller (counterparty) has the obligation to repurchase the assets sold and the relevant Subfund has the obligation to return the assets received under the transaction.

## 19. Subfunds

### Buy & Hold Luxembourg – B&H Equity

#### Investment Objective

The investment objective of Buy & Hold Luxembourg – B&H Equity (the **Subfund**) is long-term capital appreciation by investing worldwide (including emerging Countries) in the international equity markets.

#### Investment Policy

In accordance with Chapter 6, Authorized Investments and Investment Restrictions and the provisions of Article 41(1) of the Law of December 17, 2010, the Subfund shall invest in the following assets: (i) exchange traded shares and equity-type securities such as common stock, preferred stock, partnership shares and depository receipts (hereinafter referred to as **Equity Transferable Securities**); (ii) exchange traded financial derivative instruments for either hedging or investment purposes, as described below; (iii) in cash deposits and money market instruments and (iv) exceptionally in fixed-income or floating rate securities (including but not limited to bonds, notes, zero bonds, convertibles and warrants) preferably from private issuers and to a lesser extent from public issuers.

In general the Subfund shall direct its investments towards small and mid capitalisation Equity Transferable Securities, although it will not rule out investments in other large cap securities.

The Subfund targets to invest at least 75 % of its Net Asset Value in Equity Transferable Securities, without being limited to specific branches, countries or capitalizations which may lead to concentration risks. The Subfund may invest up to 25% in securities issued or backed by an EU Member State, a Spanish Regional Authority ("*Comunidad Autonoma*") a Local Authority, International Organisations of which Spain is a member and States whose credit ratings are not lower than that of the Kingdom of Spain.

The Subfund may also invest in emerging markets.

In this context, emerging market countries are defined as countries which, at the time of investment, are not considered by the World Bank, to be developed, high-income industrialized countries.

The Subfund may operate with derivative financial instruments traded on organized derivative markets for hedging and investment purposes. In case of derivative transactions, the Subfund will under no circumstances deviate from the investment principles described in the Prospectus and in the prescriptions of article 41 (1) paragraph g) of the Law of December 17, 2010.

The Subfund may invest in currency futures to hedge currency risk. In addition the Subfund may invest in equity index futures, equity index options, futures on broad based equity ETFs, options on broad based equity ETFs, single stock futures and equity options in order to hedge market risk or for investment purposes.

The Subfund shall not be engaged in Repurchase Agreements and Reverse Repurchase Agreements of Government securities (and maintains the possibility to be engaged in foreign exchange forward transactions for the purpose of hedging foreign exchange currency risks).

The Subfund may also invest indirectly through financial collective investment undertakings (as further explained below) in Equity Transferable Securities, fixed income or other assets permitted by the legislation in force, by maintaining the above mentioned exposure to equity in excess of 75%.

Pursuant to the prescriptions of article 181(8) of the Law of 17 December 2010, the Subfund may invest in the units of another subfund of the Fund.

Pursuant to the prescriptions of article 41 (1) e) of the Law of 17 December 2010, the Subfund may invest up to 10% of its assets in units of UCITS authorized according to the Directive 2009/65/EC and/or other UCIs whether or not established in a Member State.

The Subfund invests mainly in mid capitalisation Equity Transferable Securities. The Management Company does not actively take investment decisions based on sustainability risks and does not actively consider the adverse impacts of sustainability risks on the returns of the Unitholders for the Subfund. Yet, the Management Company does not invest or invests limitedly in certain sectors or companies whose products, services or activities could be considered contrary to the current trends regarding the promotion of ESG criteria.

The strategy of the Subfund to invest in mid capitalisation companies is one of the contributing factors as to why sustainability risks can currently not be actively considered; as there is a lack of information in relation to investments provided by ESG data providers.

The Management Company intends to consider the principal adverse impacts of investment decisions on sustainability factors once the regulatory technical standards which set out the content, methodology and information required in the principal adverse sustainability impact ("PASI") statement, come into effect.

The Subfund does not promote environmental or social characteristics, and does not have as objective sustainable investment (as provided by articles 8 or 9 of the Regulation 2019/2088 of 27 November 2019 on sustainability related disclosures in the financial services sector ("SFDR").

Moreover, the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

#### Global Exposure

The global exposure of the Subfund will be calculated and monitored on the basis of the commitment approach.

#### Reference Currency

The Reference Currency of the Subfund is the EUR.

#### Specific Risk Information

Potential investors should note that the Subfund shall gain a significant exposure to worldwide securities. Exposure to currency risk may exceed 30% and may account for up to 100% of total exposure.

Investors are advised to consider all the relevant risks, among others, equity market risk, interest rate risk, foreign exchange risk, credit risk, counterparty risk, emerging market risk, geographical or sector concentration risk as set out in Chapter 7, Risk Factors.

#### Worldwide Investments

The investments of the Subfund are subject to normal market fluctuations and the risks inherent in investments in international securities markets and there can be no assurances that appreciation will occur. Stock markets can be volatile and stock prices can change substantially. Since investments in securities may involve currencies other than the Reference Currency of the Subfund, the value of the Subfund's assets may also be affected by changes in currency rates and exchange control regulations, including currency blockage. The performance of the Subfund will therefore depend in part on the ability of the Management Company to anticipate and respond to such fluctuations in stock prices and currency rates and to utilize appropriate strategies to maximize returns, while attempting to reduce the associated risks to investment capital.

#### Investments in companies

The Subfund will be subject to the risks associated with equity securities, the values of which in general fluctuate in response to the activities of individual companies, the general market and economic conditions. An investment in smaller companies may involve greater risks and thus may be considered speculative. An investment in a Fund investing in smaller companies should be considered long term and not as a vehicle for seeking short term profits. Many small company stocks trade less frequently and in smaller volumes and may be subject to more abrupt or erratic price movements than stocks of larger companies. The securities

of small companies may also be more sensitive to market changes than securities in large companies.

#### Portfolio concentration

Concentration of the investments of Portfolios in any particular countries will mean that those Portfolios may be more greatly impacted by adverse social, political or economic events which may occur in such countries.

#### Currency hedging

Currency hedged Classes of Units utilize hedging strategies to seek to limit exposure to currency movements between a Subfund's Reference Currency, investment currencies or index currencies and the currency a hedged Class of Units is denominated in. Such hedging strategies used by the Management Company may not completely eliminate exposure to such currency movements. There can be no guarantee that hedging strategies will be successful.

#### Leverage

Since the Subfund is exposed to leverage, the value of the respective Class of Units may rise or fall in value more quickly than if there was no leverage.

#### Profile of the Typical Investor

The Subfund is suitable for investors with high risk tolerance and a long-term view who wish to invest in a diversified portfolio of transferable equity securities (shares).

After the initial issue, the issue price will be calculated as set out below under "Subscription, Redemption and Conversion of Units" and "Net Asset Value".

#### **Redemption Charges**

There are no redemption charges for all Classes of Units of the Subfund.

#### **Subscription, Redemption and Conversion of Units**

Each Banking Day is a Subscription Day. The Cut-Off Time for subscription applications is 4 pm CET on the Valuation Day. Payment into the account of the Depositary must be effected within two Banking Days after the Valuation Day.

Each Banking Day is a Redemption Day. The Cut-Off Time for redemption applications is 4 pm CET on the Valuation Day. Payment of the redemption price of the Shares shall be made within three Banking Days following the Valuation day.

Each Banking Day is a Conversion Day. The Cut-Off Time for conversion applications is 4 pm CET on the Valuation Day. Conversion shall take place on the basis of the applicable Net Asset Value per Share calculated on the Valuation Day following the Banking Day. Conversions of Shares will only be made on a Valuation Day, if the Net Asset Value in both relevant Share Classes is calculated.

#### Valuation Day

Each Banking Day will be a Valuation Day. The calculation of the Net Asset Value will be done on the Banking Day following a Valuation Day.

#### Performance Fee

Class 1 (EUR) and Class 2 (EUR): are subject to a performance fee (the **Performance Fee**) as further specified hereafter.

The Management Company is entitled to a performance fee which is calculated every Valuation Day on the basis of the Net Asset Value of the Class of Units concerned.

The reference performance period is set at 5 years.

The Performance Fee may only be charged and crystallized yearly, if, at December 31st, the Net Asset Value of the relevant Class of Units which is used for the calculation of the Performance Fee (including all fees and

duties, charges and expenses to be borne by the relevant Class of Units but excluding the Performance Fee calculated on that Valuation Day), is greater than the last Net Asset Value used for the calculation of the last Performance fee crystallised and paid adjusted at each Valuation Day to take into account the effect of new subscriptions and redemptions (the **High Watermark or HWM**). Each preceding decline in the Net Asset Value per Units of the respective Class of Units must be offset by a further increase above the last maximum value at which a Performance Fee was crystallised. So, if on the crystallisation date, the Subfund has overperformed the HWM and there is a positive accrual of performance fees those can be paid. In this case, the accrual will be crystallised in the payment of the performance fees to the Management Company.

If on the crystallisation date the Subfund has underperformed the HWM and as a consequence there are no accrued performance fees, this underperformance is brought forward for the purpose of the calculation of performance fees the following year. In this way, compensation of negative performances is ensured over the years during a reference performance period of 5 years.

Calculation of the Performance Fee and the necessary provisioning takes place on each Valuation Day (the **Calculation Date**), and the crystallization takes place on an annual basis if the NAV at December 31<sup>st</sup> meets the criteria described below.

If, on the Calculation Day, the Net Asset Value of a Class of Units is greater than the High Watermark, a Performance Fee of seven percent (7%) shall be deducted on the difference between the Net Asset Value of the relevant Class of Units and the High Watermark. The calculation of the Performance Fee takes place on the basis of the Units of the respective Class of Units that are currently in circulation.

The payment of the crystallised Performance Fee of one complete natural year (from January 1<sup>st</sup> to December 31<sup>st</sup>) takes place at the beginning of the following calendar year.

If no Performance Fee is due during a period of five (5) years, the High Watermark will be reset on that day at the next Net Asset Value calculation to the Net Asset Value at the end of the five (5) year-period ("carry forward conditions").

A Performance Fee is payable and thus accrued when the following condition applies at December 31<sup>st</sup> of each calendar year:

- NAV t > HWM

If this condition occurs, then the Performance fee will be calculated according to the following formula :

$$0.07 * (NAV t - HWM) \times \text{number of Shares of B\&H Equity Subfund t}$$

where:

NAV t = current Net Asset Value prior to provision for Performance Fee  
HWM = High Watermark or last Net Asset Value (including all fees, costs, expenses and the Performance fee), used for the calculation of the last Performance fee crystallised and paid  
t = current Calculation Date

The Performance Fee will be calculated on the basis of the Net Asset Value after deducting all expenses, fees (but not the Performance Fee) and adjusting it for subscriptions, redemptions and distributions during the relevant financial year so that these will not affect the additional variable fee payable.

#### Leverage

The Level of Leverage, calculated via the commitment approach, of financial derivative instruments, may be up to one (1) time the Net Asset Value of the Subfund, meaning the maximum degree of exposure to market risk through financial derivative instruments is the amount of the Net Asset Value of the Subfund.

Classes of Units

There are three (3) Classes of Units within this Subfund. They are all Capital-growth Units and unhedged

Unit Class	Initial Issue Price	Minimum Initial Investment, Minimum Subsequent Investment and Minimum Holding Amount	Distributor Commission or Retrocession Available	Available to
Class 1 (EUR)	EUR 1 (one euro)	one (1) Unit per Unit Class	No	<p>Investors coming into the Subfund from the merger of July 24, 2020 and January 8, 2021 from:</p> <p>INVERSIONES LLONER SICAV, with ISIN code: ES0155968136 ;</p> <p>UNIVERSAL DE INVERSIONES, SICAV, S.A., with ISIN code: ES0182120032 ;</p> <p>DICASTILLO INVERSIONES, SICAV, S.A., with ISIN code: ES0126471038 ; and</p> <p>REX ROYAL BLUE SICAV, with ISIN code: ES0173751035.</p> <p>All investors investing through an approved distributor that provides independent portfolio management or investment advice.</p> <p>Approved distributors in countries that prohibit receiving and retaining commissions.</p> <p>Approved distributors that provide non-independent advice (as defined by MiFID II, for EU distributors) and have client agreements that prohibit receiving and retaining commissions.</p> <p>Employees of the Management Company and their first-degree family members.</p> <p>Approved distributors that are not allowed/willing to receive commissions.</p>
Class 2 (EUR)	EUR 1 (one euro)		Yes	All investors investing through intermediaries (such as EEA non-independent advisors, brokers or other intermediaries) that may, subject to applicable rules, accept or retain commissions.
Class 3 (EUR)	EUR 1 (one euro)		No	Other UCIs, pension plans, their sub-funds or classes of units that are managed by the same management company as the Fund.



Performance fee example

Date	Total Net Asset	Number of units subscribed	Number of units redeemed	Outstanding units	NAV/unit	NAV Perf	HWM	NAV Perf vs HWM	7.00% Payable Performance Fee	NAV/unit after Performance Fee
Beginning of year 1	10,000,000	10,000	10,000	100,000	100	-	100	0%	-	
End of year 1	15,000,000	10,000	10,000	100,000	150	50%	100	50%	350,000	146.5
End of year 2	8,000,000	10,000	10,000	100,000	80	-47%	150	-47%	-	
End of year 3	8,500,000	10,000	10,000	100,000	85	6%	150	-43%	-	
End of year 4	9,000,000	10,000	10,000	100,000	90	6%	150	-40%	-	
End of year 5	13,000,000	10,000	10,000	100,000	130	44%	150	-13%	-	
End of year 6	14,000,000	10,000	10,000	100,000	140	8%	150	-7%	-	
Beginning of year 7	14,000,000	10,000	10,000	100,000			140		-	

## Buy & Hold Luxembourg – B&H Flexible

### Investment Objective

The investment objective of Buy & Hold Luxembourg – B&H Flexible (the **Subfund**) is medium- long-term capital appreciation by gaining exposure to a broad range of asset classes on a global basis while seeking dynamic and flexible exposure to risk according to the global market conditions.

The Subfund is a multi-asset, medium-long, total return oriented which aims to explore opportunities in financial markets, by investing in variable portions in different asset classes (i.e. equities versus bonds), instruments (Target Funds versus Direct Investments), geographies and sectors. In order to achieve its investment objective of the Subfund, the Management Company may on a temporary basis tactically overweight a single asset class, instrument, country or sector, always within the investments limits described in Chapter 6, Authorized Investments and Investments Restrictions, the provisions of Article 41(1) of the Law of December 17, 2010 as well as the investment limits as set out below.

In particular, the Subfund seeks to achieve investment returns while reducing volatility within the defined investment limits in response to varying economic conditions that could affect the performance of the respective asset classes.

The investment decisions will be taken by the Management Company according to its appreciation of which asset class, geographic area or industry sector offers the best investment opportunities, always within the restrictions as laid out by the Chapter 6, Authorized Investments and Investments Restrictions, the provisions of the Law of December 17, 2010 as well as the investment limits as set out below.

The Subfund is not subject to a predetermined country, industry sector, credit rating or market capitalization

### Investment Policy

In accordance with Chapter 6, Authorized Investments and Investment Restrictions and the provisions of Article 41(1) of the Law of December 17, 2010, the Subfund shall:

- (i) invest its net assets in shares or units of "Target Funds" (including so-called exchange traded funds (ETF) in order to achieve exposure to different asset classes. The Subfund may invest up to 10% of its total net assets in the same Target Fund, provided that each subfund of an umbrella fund is considered as a separate issuer while observing the principle of segregation of the various subfunds liabilities towards third parties.
- (ii) invest its net assets in individual equities, equity-type securities, fixed income or floating rate securities (including convertible bonds) of public or private issuers, fixed income securities with non-investment rating from one or more rating agencies, non-rated fixed income securities and Contingent Convertible Debt Securities; the percentage of each of the above instruments in the Subfund is defined in relation to the valuation of various asset classes and market developments.
- (iii) More than 35% of the Subfund net assets may be invested in securities issued or backed by an EU Member State, a Spanish Regional Authority ("*Comunidad Autonoma*"), a Local Authority, the international organisations of which Spain is a member and States whose credit ratings are not lower than that of the Kingdom of Spain.

In particular, in order to achieve the Investment Objective of achieving return while reducing volatility of the portfolio, the weight of fixed income or floating – rate securities may significantly be reduced if the

Management Company assumes the interest rate risk to increase. Further, the weight of equities may significantly be reduced if a severe market correction is anticipated by the Management Company.

- (iv) when the financial markets are experiencing excessive volatility or when the global economy is facing adverse conditions temporarily invest up to 100% of its net assets in money market instruments in accordance with paragraph 4) e) of Chapter 6, Authorized Investments and Investment Restrictions and /or in other liquid assets as per Chapter 4, Investment Policy including callable or fixed deposits at EU or OECD credit institutions or other money market instruments provided the term to maturity does not exceed twelve (12) months. The Investment Restrictions rules set out in Chapter 6 are at all times be complied with.

The Subfund may operate with derivative financial instruments traded on organized derivative markets for hedging and investment purposes. In case of derivative transactions, the Management Company will under no circumstances deviate from the investment principles described in the Prospectus and in the prescriptions of article 41 (1) paragraph g) of the Law of December 17, 2010.

Pursuant to the prescriptions of article 181(8) of the Law of 17 December 2010, the Subfund may invest in the units of another sub-fund of the Fund.

Pursuant to the prescriptions of article 41 (1) e of the Law of 17 December 2010, the Subfund may invest up to 10% of its Net Asset Value in units of UCITs authorized according to the Directive 2009/65/EC and/or other UCIs whether or not established in a Member State.

The Subfund may enter into currency transactions by investing in assets denominated in currencies other than the Reference Currency.

The Subfund may invest globally, including in so-called Emerging Market Countries. In this context, Emerging Market Countries are defined as countries which are at the time of investment, not considered by the World Bank, a leading index provider, to be developed, high-income industrialized countries.

The Subfund will not invest more than 35% of its Net Asset Value in Contingency Convertibles Debt Securities.

The Subfund shall not be engaged in Repurchase Agreements and Reverse Repurchase Agreements of Government securities (and maintains the possibility to be engaged in foreign exchange forward transactions for the purpose of hedging foreign exchange currency risks.

The Subfund invests opportunistically in equities and bonds. The Management Company does not actively take investment decisions based on sustainability risks and does not actively consider the adverse impacts of sustainability risks on the returns of the Unitholders for the Subfund. Yet, the Management Company does not invest or invests limitedly in certain sectors or companies whose products, services or activities could be considered contrary to the current trends regarding the promotion of ESG criteria.

The strategy of the Subfund to invest in different asset classes (i.e. equities versus bonds), instruments (Target Funds versus Direct Investments), is one of the contributing factors as to why sustainability risks can currently not be actively considered; as there is a lack of information in relation to such investments provided by ESG data providers.

The Management Company intends to consider the principal adverse impacts of investment decisions on sustainability factors once the regulatory technical standards which set out the content, methodology and information required in the principal adverse sustainability impact ("PASI") statement, come into effect.

The Subfund does not promote environmental or social characteristics, and does not have as objective sustainable investment (as provided by articles 8 or 9 of SFDR).

Moreover, the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

#### Global Exposure

The global exposure of the Subfund will be calculated and monitored on the basis of the commitment approach.

#### Reference Currency

The Reference Currency of the Subfund is the EUR.

#### Specific Risk Information

Potential investors should note that the Subfund shall gain a significant exposure to global market conditions. Due to the global approach, the investors should note that the exposure to currency risk may be of 100%.

Investors are advised to consider all the relevant risks, among others, equity market risk, interest rate risk, foreign exchange risk, liquidity risk, credit risk, counterparty risk, emerging market risk, geographical or sector concentration risk and Contingent Convertible Debt Securities as set out in Chapter 7, Risk Factors.

#### Global Investments

The investments of the Subfund are subject to normal market fluctuations and the risks inherent in investments in international securities markets and/or fixed income, there can be no assurances that appreciation will occur. Stock markets can be volatile and stock prices can change substantially. Since investments in securities may involve currencies other than the Reference Currency of the Subfund, the value of the Subfund's assets may also be affected by changes in currency rates and exchange control regulations, including currency blockage. The performance of the Subfund will therefore depend in part on the ability of the Management Company to anticipate and respond to such fluctuations in stock prices and currency rates and to utilize appropriate strategies to maximize returns, while attempting to reduce the associated risks to investment capital.

#### Investments in companies

The Subfund will be subject to the risks associated with equity securities, the values of which in general fluctuate in response to the activities of individual companies, the general market and economic conditions. An investment in smaller companies may involve greater risks and thus may be considered speculative. An investment in a Fund investing in smaller companies should be considered long term and not as a vehicle for seeking short term profits. Many small company stocks trade less frequently and in smaller volumes and may be subject to more abrupt or erratic price movements than stocks of larger companies. The securities of small companies may also be more sensitive to market changes than securities in large companies.

#### Portfolio concentration

Concentration of the investments of Portfolios in any particular countries will mean that those Portfolios may be more greatly impacted by adverse social, political or economic events which may occur in such countries.

#### Currency hedging

Currency hedged Classes of Units utilize hedging strategies to seek to limit exposure to currency movements between a Subfund's Reference Currency, investment currencies or index currencies and the currency a hedged Class of Units is denominated in. Such hedging strategies used by the Management Company may not completely eliminate exposure to such currency movements. There can be no guarantee that hedging strategies will be successful.

#### Leverage

Since the Subfund is exposed to leverage, the value of the respective Class of Units may rise or fall in value more quickly than if there was no leverage.

#### Profile of the Typical Investor

The Subfund is suitable for long-term investors wishing to achieve long-term capital growth by investing in a portfolio providing exposure to a global range of different asset Classes of Units as described in section Investment Policy above.

#### Redemption Charges

There are no redemption charges for all Classes of Units of the Subfund.

#### Subscription, Redemption and Conversion of Units

Each Banking Day is a Subscription Day. The Cut-Off Time for subscription applications is 4 pm CET on the Valuation Day. Payment into the account of the Depositary must be effected within two Banking Days after the Valuation Day.

Each Banking Day is a Redemption Day. The Cut-Off Time for redemption applications is 4 pm CET on the Valuation Day. Payment of the redemption price of the Shares shall be made within three Banking Days following the Valuation day.

Each Banking Day is a Conversion Day. The Cut-Off Time for conversion applications is 4 pm CET on the Valuation Day. Conversion shall take place on the basis of the applicable Net Asset Value per Share calculated on the Valuation Day following the Banking Day Conversions of Shares will only be made on a Valuation Day, if the Net Asset Value in both relevant Share Classes is calculated.

#### Valuation Day

Each Banking Day will be a Valuation Day. The calculation of the Net Asset Value will be done on the Banking Day following a Valuation Day.

#### Performance Fee

Class 1 (EUR) and Class 2 (EUR) are subject to a performance fee (the Performance Fee) as further specified hereafter.

The Management Company is entitled to a performance fee which is calculated every Valuation Day on the basis of the Net Asset Value of the Class of Units concerned.

The reference performance period is set at 5 years.

The Performance Fee may only be charged and crystallized yearly, if, at December 31<sup>st</sup>, the Net Asset Value of the relevant Class of Units which is used for the calculation of the Performance Fee (including all fees and duties, charges and expenses to be borne by the relevant Class of Units but excluding the Performance Fee calculated on that Valuation Day), is greater than the last Net Asset Value used for the calculation of last the Performance fee crystallised and paid adjusted at each Valuation Day to take into accounts the effect of new subscriptions and redemptions (the **High Watermark or HWM**). Each preceding decline in the Net Asset Value per Units of the respective Class of Units must be offset by a further increase above the last maximum value at which a Performance Fee was incurred. So, if on the crystallisation date, the Subfund has overperformed the HWM and there is a positive accrual of performance fees those can be paid. In this case, the accrual will be crystallised in the payment of the performance fees to the Management Company.

If on the crystallisation date the Subfund has underperformed the HWM and as a consequence there are no accrued performance fees, this underperformance is brought forward for the purpose of the calculation of performance fees the following year. In this way, compensation of negative performances is ensured over the years during a reference performance period of 5 years.

Calculation of the Performance Fee and the necessary provisioning takes place on each Valuation Day (the **Calculation Date**), and the crystallization takes place on an annual basis if the NAV at December 31<sup>st</sup> meets the criteria described below.

If, on the Calculation Date, the Net Asset Value of a Class of Units is greater than the High Watermark, a Performance Fee of five percent (5%) shall be deducted on the difference between the Net Asset Value of the

relevant Class of Units and the High Watermark. The calculation of the Performance Fee takes place on the basis of the Units of the respective Class of Units that are currently in circulation.

The payment of the crystallised Performance Fee of one complete natural year (from January 1<sup>st</sup> to December 31<sup>st</sup>) takes place at the beginning of the following calendar year.

If no Performance Fee is due during a period of five (5) years, the High Watermark will be reset on that day at the next Net Asset Value calculation to the Net Asset Value at the end of the five (5) year-period ("carry forward conditions").

A Performance Fee is payable and thus accrued when the following condition applies at December 31<sup>st</sup> of each calendar year:

- NAV t > HWM

If this condition occurs, then the Performance fee will be calculated according to the following formula :

$$0.05 * (NAV t - HWM) \times \text{number of Shares of B\&H Flexible Subfund } t$$

where:

NAV t = current Net Asset Value prior to provision for Performance Fee  
HWM = High Watermark or last Net Asset Value (including all fees, costs, expenses and the Performance fee), used for the calculation of the last Performance fee crystallised and paid  
t = current Calculation Date

The Performance Fee will be calculated on the basis of the Net Asset Value after deducting all expenses, fees (but not the Performance Fee) and adjusting it for subscriptions, redemptions and distributions during the relevant financial year so that these will not affect the additional variable fee payable.

Leverage

The Level of Leverage, calculated via the commitment approach, of financial derivative instruments may be up to one [1] time the Net Asset Value of the Subfund, meaning the maximum degree of exposure to market risk through financial derivative instruments is the amount of the Net Asset Value of the Subfund.

<u>Classes of Units</u>				
There are three (3) Classes of Units within this Subfund. They are all Capital-growth Units and unhedged				
Unit Class	Initial Issue Price	Minimum Initial Investment, Minimum Subsequent Investment and Minimum Holding Amount	Distributor Commission or Retrocession Available	Available to
Class 1 (EUR)	EUR 1 (one euro)	one (1) Unit per Unit Class	No	<p>Investors coming into the Subfund from the merger of July 24, 2020 and January 8, 2021 from:</p> <p>BH EUROPA FLEXIBLE, SICAV SA, with ISIN code: ES0114563002;</p> <p>BMS CARTERA, S.A., SICAV, with ISIN code: ES0114899034;</p> <p>BMS BLUE CHIPS, SICAV, S.A., with ISIN code: ES0145872034; and</p> <p>PIGMANORT SICAV, with ISIN code: ES0169841030</p> <p>All investors investing through an approved distributor that provides independent portfolio management or investment advice.</p> <p>Approved distributors in countries that prohibit receiving and retaining commissions.</p> <p>Approved distributors that provide non-independent advice (as defined by MiFID II, for EU distributors) and have client agreements that prohibit receiving and retaining commissions.</p> <p>Employees of the Management Company and their first-degree family members.</p> <p>Approved distributors that are not allowed/willing to receive commissions.</p>
Class 2 (EUR)	EUR 1 (one euro)		Yes	All investors investing through intermediaries (such as EEA non-independent advisors, brokers or other intermediaries) that may, subject to applicable rules, accept or retain commissions.
Class 3 (EUR)	EUR 1 (one euro)		No	Other UCIs, pension plans, their sub-funds or classes of units that are managed by the same management company as the Fund.

Performance fee example

Date	Total Net Asset	Number of units subscribed	Number of units redeemed	Outstanding units	NAV/unit	NAV Perf	HWM	NAV Perf vs HWM	5.00% Payable Performance Fee	NAV/unit after Performance Fee
Beginning of year 1	10,000,000	10,000	10,000	100,000	100	-	100	0%	-	
End of year 1	15,000,000	10,000	10,000	100,000	150	50%	100	50%	250,000	147.5
End of year 2	8,000,000	10,000	10,000	100,000	80	-47%	150	-47%	-	
End of year 3	8,500,000	10,000	10,000	100,000	85	6%	150	-43%	-	
End of year 4	9,000,000	10,000	10,000	100,000	90	6%	150	-40%	-	
End of year 5	13,000,000	10,000	10,000	100,000	130	44%	150	-13%	-	
End of year 6	14,000,000	10,000	10,000	100,000	140	8%	150	-7%	-	
Beginning of year 7	14,000,000	10,000	10,000	100,000			140		-	

## Buy & Hold Luxembourg – B&H Bonds

### Investment Objective

The Investment Objective of Buy & Hold Luxembourg – B&H Bonds (the **Subfund**) is to achieve capital appreciation in the long term with a higher degree of principal stability investing in fixed income investments issued mainly in the European Union Member States or candidate countries to integrate the European Union

### Investment Policy

In accordance with Chapter 6, Authorized Investments and Investment Restrictions and the provisions of Article 41(1) of the Law of December 17, 2010 the Subfund shall:

- (i) invest its net assets in fixed-income or floating rate securities (including but not limited to bonds, notes, zero bonds, convertibles and warrants) preferably from private issuers and to a lesser extent from public issuers.

In general terms the duration of the portfolio in fixed-income or floating rate securities is between 0 and 10 years.

The Sub-Fund uses Barclays Euro Agg Corporate Bond Index – European corporate fixed income index as a benchmark index to compare its performance.

The Subfund may invest in fixed income securities with non-investment rating from one or more rating agencies, non-rated fixed income securities and Contingent Convertible Debt Securities; The Subfund is focused on obtaining high yields and thus it usually invests in non-investment grade securities, that may be “high yields” fixed income assets than have lower credit rating, lower than BBB- (S&P) if the assessment is that the yield premium offered more than compensates for the higher risk of default on the debt’s interest and principal.

The Subfund will consider a number of other factors in its investment analysis of a security in addition to its rating, including, among other things, the issuer’s financial condition, earnings prospects, anticipated cash flow, interest or dividend coverage and payment history, asset coverage, liquidity, debt maturity schedules and borrowing requirements. The Subfund will utilize reports, statistics and other data from a variety of sources, but will base its decision on its own research and analysis.

In addition, the Subfund may invest in securities of issuers which are domiciled in other secondary markets than the European including the so-called Emerging Market Countries. In this context, Emerging Markets are defined as countries which, at the time of investment, are not considered, by the World Bank a leading index provider, to be developed, high-income industrialized countries.

- (ii) invest in money market instruments as per paragraph h) section 1 of Chapter 6, Authorized Investments and Investment Restrictions, and/or in other liquid assets as per Chapter 4, Investment Policy, including listed money market instruments provided the term to maturity does not exceed twelve (12) months.
- (iii) invest in shares or units of Target Funds as per paragraph e) of section 1 of Chapter, 6 Authorized Investments and Investment Restrictions (including UCITS compliant “exchange traded funds” or ETF) providing exposure to the above mentioned assets. Such investment will be

made within the investment restrictions set out in section 5 of Chapter 6, Authorized Investments and Investment Restrictions set out in section 5, establishing a limit of 10% of the total net assets of the Subfund for investments in shares or units of Target Funds.

The Subfund may also invest in fixed-rate bonds and debentures, promissory notes, floating or variable interest rate, transactions with Spanish government debt and other financial assets with periodic explicit returns or implicit returns on maturity, including deposits, preference shares, convertible debentures and listed monetary market instruments

The Subfund may target to invest more than 25% in securities issued or backed by an EU Member State, Spanish Regional Authority (“*Comunidad Autonoma*”) a Local Authority, International Organisations of which Spain is a member and States with a credit rating not lower than that of the Kingdom of Spain.

The Subfund may operate with derivative financial instruments traded on organized derivative markets for hedging and investment purposes. In case of derivative transactions, the Subfund will under no circumstances deviate from the investment principles described in the Prospectus and in the prescriptions of article 41 (1) paragraph g) of the Law of December 17, 2010.

Pursuant to the prescriptions of article 181(8) of the Law of 17 December 2010, the Subfund may invest in the units of another sub-fund of the Fund.

Pursuant to the prescriptions of article 41 (1) e of the Law of 17 December 2010, the Subfund may invest up to 10% of its assets in units of UCITS and/or other UCIs whether or not established in a Member State.

The Subfund will not invest more than 25% of its Net Asset Value in Contingency Convertibles Debt Securities.

The Subfund shall not be engaged in Repurchase Agreement and Reverse Repurchase Agreement of Government securities and maintains the possibility to be engaged in foreign exchange forward transactions for the purpose of hedging foreign exchange currency risks.

The Subfund invests in fixed income investments issued mainly in the European Union Member States preferably from private issuers. Sustainability risk are likely to have a moderate impact on the value of the Subfund’s investments in the long term. The Management Company does not actively take investment decisions based on sustainability risks and does not actively consider the adverse impacts of sustainability risks on the returns of the Unitholders for the Subfund. Yet, the Management Company does not invest or invests limitedly in certain sectors or companies whose products, services or activities could be considered contrary to the current trends regarding the promotion of ESG criteria.

The strategy of the Subfund to invest in fixed income investments preferably from private issuers, is one of the contributing factors as to why sustainability risks can currently not be actively considered; as there is a lack of information in relation to such fixed income investments provided by ESG data providers.

The Management Company intends to consider the principal adverse impacts of investment decisions on sustainability factors once the regulatory technical standards which set out the content, methodology and information required in the principal adverse sustainability impact (“PASI”) statement, come into effect.

The Subfund does not promote environmental or social characteristics, and does not have as objective sustainable investment (as provided by articles 8 or 9 of SFDR).

Moreover, the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

### Global Exposure

The global exposure of the Subfund will be calculated and monitored on the basis of the commitment approach.

### Reference Currency

The Reference Currency of the Subfund is the EUR.

### Specific Risk Information

Investors should note that the Reference Currency of the Subfund is EUR, and although the Management Company has the ability to hedge the Subfund's exposure to movements in other currencies, there is the risk that any foreign currency exposure will not be fully or successfully hedged and that the Subfund's Net Asset Value could move down due to a fall in the value of non-EUR currencies against the EUR. Where the Management Company decides to hedge part or all of a currency exposure, the hedging process may from time to time result in a small residual currency exposure that it is estimated that will not exceed 10%.

Potential investors should note that the Subfund shall gain a significant exposure to high yield debt securities. Some of the high yield securities held in the portfolio may involve increased credit and market risk; such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (**credit risk**) and may also be subject to price volatility due to such factors as interest rate movements, market perception of creditworthiness of the issue and general market liquidity issues.

Investors are advised to consider all the relevant risks, among others, interest rate risk, foreign exchange risk, liquidity risk, credit risk, counterparty risk, emerging market risk, geographical or sector concentration risk and Contingent Convertible Debt Securities as set out in Chapter 7, Risk Factors.

### European Fixed Income

The investments of the Subfund are subject to normal market fluctuations and the risks inherent in investments in international fixed income markets and there can be no assurances that appreciation will occur. Since investments in fixed income or floating rate securities may involve currencies other than the Reference Currency of the Subfund, the value of the Subfund's assets may also be affected by changes in currency rates and exchange control regulations, including currency blockage. The performance of the Subfund will therefore depend in part on the ability of the Management Company to anticipate and respond to such fluctuations in fixed income or floating rate securities and currency rates and to utilize appropriate strategies to maximize returns, while attempting to reduce the associated risks to investment capital.

### Investments in companies

The Subfund will be subject to the risks associated with equity securities, the values of which in general fluctuate in response to the activities of individual companies, the general market and economic conditions. An Investment in smaller companies may involve greater risks and thus may be considered speculative. An investment in a Fund investing in smaller companies should be considered long term and not as a vehicle for seeking short term profits. Many small company stocks trade less frequently and in smaller volumes and may be subject to more abrupt or erratic price movements than stocks of larger companies. The securities of small companies may also be more sensitive to market changes than securities in large companies.

### Portfolio concentration

Concentration of the investments of Portfolios in any particular countries will mean that those Portfolios may be more greatly impacted by adverse social, political or economic events which may occur in such countries.

### Currency hedging

Currency hedged Classes of Units utilize hedging strategies to seek to limit exposure to currency movements between a Subfund's Reference Currency, investment currencies or index currencies and the currency a hedged Class of Units is denominated in. Such hedging strategies used by the Management Company may not completely eliminate exposure to

such currency movements. There can be no guarantee that hedging strategies will be successful.

### Leverage

Since the Subfund is exposed to leverage, the value of the respective Class of Units may rise or fall in value more quickly than if there was no leverage.

### Profile of the Typical Investor

The Subfund is suitable for long-term investors wishing to achieve long-term capital growth by investing in a diversified portfolio of fixed-income and floating rate securities as described in section Investment Policy above.

### Redemption Charges

There are no redemption charges for all Classes of Units of the Subfund.

### Subscription, Redemption and Conversion of Units

Each Banking Day is a Subscription Day. The Cut-Off Time for subscription applications is 4 pm CET on the Valuation Day. Payment into the account of the Depository must be effected within two Banking Days after the Valuation Day.

Each Banking Day is a Redemption Day. The Cut-Off Time for redemption applications is 4 pm CET on the Valuation Day. Payment of the redemption price of the Shares shall be made within three Banking Days following the Valuation day.

Each Banking Day is a Conversion Day. The Cut-Off Time for conversion applications is 4 pm CET on the Valuation Day. Conversion shall take place on the basis of the applicable Net Asset Value per Share calculated on the Valuation Day following the Banking Day. Conversions of Shares will only be made on a Valuation Day, if the Net Asset Value in both relevant Share Classes is calculated.

### Valuation Day

Each Banking Day will be a Valuation Day. The calculation of the Net Asset Value will be done on the Banking Day following a Valuation Day.

### Performance Fee

Class 1 (EUR) and Class 2 (EUR) of Units are subject to a performance fee (the **Performance Fee**) as further specified hereafter.

The Management Company is entitled to a performance fee which is calculated every Valuation Day on the basis of the Net Asset Value of the Class of Units concerned.

The reference performance period is set at 5 years.

The Performance Fee may only be charged and crystallized yearly, if, at December 31st, the Net Asset Value of the relevant Class of Units which is used for the calculation of the Performance Fee (including all fees and duties, charges and expenses to be borne by the relevant Class of Units but excluding the Performance Fee calculated on that Valuation Day), is greater than the last Net Asset Value used for the calculation of last the Performance fee crystallised and paid adjusted at each Valuation Day to take into account the effect of new subscriptions and redemptions (the **High Watermark or HWM**). Each preceding decline in the Net Asset Value per Units of the respective Class of Units must be offset by a further increase above the last maximum value at which a Performance Fee was incurred. So, if on the crystallisation date, the Subfund has overperformed the HWM and there is a positive accrual of performance fees those can be paid. In this case, the accrual will be crystallised in the payment of the performance fees to the Management Company.

If on the crystallisation date the Subfund has underperformed the HWM and as a consequence there are no accrued performance fees, this underperformance is brought forward for the purpose of the calculation of performance fees the following year. In this way, compensation of negative performances is ensured over the years during a reference performance period of 5 years.

Calculation of the Performance Fee and the necessary provisioning takes place on each Valuation Day (the **Calculation Date**), and the crystallization takes place on an annual basis if the NAV at December 31<sup>st</sup> meets the criteria described below.

If, on the Calculation Date, the Net Asset Value of a Class of Units is greater than the High Watermark, a Performance Fee of three percent (3%) shall be deducted on the difference between the Net Asset Value of the Class of Units and the High Watermark. The calculation of the Performance Fee takes place on the basis of the Units of the respective Class of Units that are currently in circulation.

The payment of the crystallised Performance Fee of one complete natural year (from January 1<sup>st</sup> to December 31<sup>st</sup>) takes place at the beginning of the following calendar year.

If no Performance Fee is due during a period of five (5) years, the High Watermark will be reset on that day at the next Net Asset Value calculation to the Net Asset Value at the end of the five (5) year-period ("carry forward conditions").

A Performance Fee is payable and thus accrued when the following condition apply at December 31<sup>st</sup> of each calendar year:  
- NAV t > HWM

If this condition occurs then the Performance fee will be calculated according to the following formula :

$$0.03 * (NAV t - HWM) \times \text{number of Shares of B\&H Bonds Subfund } t$$

where:

NAV t = current Net Asset Value prior to provision for Performance Fee  
HWM = High Watermark or last Net Asset Value (including all fees, costs, expenses and the Performance fee), used for the calculation of the last Performance fee crystallised and paid  
t = current Calculation Date

The Performance Fee will be calculated on the basis of the Net Asset Value after deducting all expenses, fees (but not the Performance Fee) and adjusting it for subscriptions, redemptions and distributions during the relevant financial year so that these will not affect the additional variable fee payable.

Leverage

The Level of Leverage calculated via the commitment approach, of financial derivative instruments may be up to one [1] times the Net Asset Value of the Subfund, meaning the maximum degree of exposure to market risk through financial derivative instruments is the amount of the Net Asset Value of the Subfund.

<u>Classes of Units</u>				
There are three (3) Classes of Units within this Subfund. They are all Capital-growth Units and unhedged				
Unit Class	Initial Issue Price	Minimum Initial Investment, Minimum Subsequent Investment and Minimum Holding Amount	Distributor Commission or Retrocession Available	Available to
Class 1 (EUR)	EUR 1 (one euro)	one (1) Unit per Unit Class	No	<p>Investors coming into the Subfund from the merger of July 24, 2020 from BH RENTA FIJA EUROPA SICAV SA, with ISIN code: ES0145809002.</p> <p>All investors investing through an approved distributor that provides independent portfolio management or investment advice.</p> <p>Approved distributors in countries that prohibit receiving and retaining commissions.</p> <p>Approved distributors that provide non-independent advice (as defined by MiFID II, for EU distributors) and have client agreements that prohibit receiving and retaining commissions.</p> <p>Employees of the Management Company and their first-degree family members.</p> <p>Approved distributors that are not allowed/willing to receive commissions.</p>
Class 2 (EUR)	EUR 1 (one euro)		Yes	All investors investing through intermediaries (such as EEA non-independent advisors, brokers or other intermediaries) that may, subject to applicable rules, accept or retain commissions.
Class 3 (EUR)	EUR 1 (one euro)		No	Other UCIs, pension plans, their sub-funds or classes of units that are managed by the same management company as the Fund.



Performance fee example

Date	Total Net Asset	Number of units subscribed	Number of units redeemed	Outstanding units	NAV/unit	NAV Perf	HWM	NAV Perf vs HWM	3.00% Payable Performance Fee	NAV/unit after Performance Fee
Beginning of year 1	10,000,000	10,000	10,000	100,000	100	-	100	0%	-	
End of year 1	15,000,000	10,000	10,000	100,000	150	50%	100	50%	150,000	148.5
End of year 2	8,000,000	10,000	10,000	100,000	80	-47%	150	-47%	-	
End of year 3	8,500,000	10,000	10,000	100,000	85	6%	150	-43%	-	
End of year 4	9,000,000	10,000	10,000	100,000	90	6%	150	-40%	-	
End of year 5	13,000,000	10,000	10,000	100,000	130	44%	150	-13%	-	
End of year 6	14,000,000	10,000	10,000	100,000	140	8%	150	-7%	-	
Beginning of year 7	14,000,000	10,000	10,000	100,000			140		-	