

# **Falcon Fund SICAV**

Société d'Investissement à Capitale Variable

## **Prospectus**

An investment fund under Luxembourg law  
January 2020

## Important Notes

This prospectus should be read in its entirety before a subscription application is submitted. If you require clarification regarding any of the information contained in this prospectus, you should ask your financial adviser or other expert adviser for help.

The members of the company's board of directors, whose names are listed under "Management and administration," have all applied due diligence to ensure that the information contained in this prospectus is to the best of their knowledge consistent with the facts and have not omitted anything that could affect the meaning of this information. The Company's board of directors assumes the corresponding responsibility.

Subscriptions are void if they are not made on the basis of this prospectus and the Company's instruments of incorporation in conjunction with the most recently published annual report and also, if the reporting date of the latter is more than eight months in the past, the most recent semi-annual report. Further information on the how the Company compiles and publishes the annual and semi-annual reports is provided in section 26, "Financial year and reporting."

The units are offered on the basis of the information and descriptions provided in this prospectus and the documents that it refers to. Any other information or descriptions provided by any person must be considered illegitimate.

This prospectus does not constitute an offer or an advertisement in legal systems in which such an offer or advertisement is prohibited or in which persons are not permitted to submit such an offer or advertisement or in which persons are not permitted to receive such an offer or advertisement.

Potential buyers of units are obliged to inform themselves independently with regard to the legal requirements and the foreign exchange regulations and taxes of the country of their citizenship or residence.

The units are not registered under the Investment Company Act of 1940 or the securities laws of any U.S. state and such a registration will not be considered. The units are not offered, sold or directly or indirectly transferred in the United States of America or in favour of a "U.S. person."

Notwithstanding the above, the units may, however, be offered, sold or otherwise transferred to (i) excluded beneficial owners, (ii) active non-financial companies, (iii) U.S. persons who are non-specified U.S. persons, or (iv) financial institutions that are not Non-participating Financial Institutions (all within the meaning of the IGA), or held by them. The information contained in the prospectus complies with the applicable law and the practices of the Grand Duchy of Luxembourg and is subject to changes within this framework.

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## Management and Administration

<b>Registered office of the company</b>	2, rue Gabriel Lippmann L-5365 Munsbach R.C.S.Luxemburg B-84227
<b>Board of directors of the company</b>	<p><i>Chair:</i> Bastian Schwind-Wagner Managing Director   Head Risk Fund Administration Falcon Fund Management (Luxembourg) S.A.</p> <p><i>Members:</i> Jean-Christoph Arntz Managing partner ARKUS Governance Partners G.I.E, Luxembourg</p> <p>Bärbel Schneider COO Falcon Fund Management (Luxembourg) S.A.</p> <p>Xavier Clavel Global Head of Private Banking and Products and Investments Falcon Private Bank Ltd., Zurich</p>
<b>Promoter</b>	Falcon Private Bank Ltd. Pelikanstrasse 37 Postfach 1376 CH-8021 Zurich
<b>Appointed management company</b>	Falcon Fund Management (Luxembourg) S.A. 2, rue Gabriel Lippmann L-5365 Munsbach
<b>Board of directors of the appointed Management company</b>	<p><i>Chair:</i> Alfred Brandner CEO Falcon Fund Management (Luxembourg) S.A.</p> <p><i>Members:</i> Harald Steinbichler Managing partner Axessum GmbH, Vienna</p> <p>Alastair Fiddes COO Falcon Private Bank Ltd., Zurich</p>
<b>Managing director of the Management company</b>	Alfred Brandner CEO

Falcon Fund Management (Luxembourg) S.A.

Bärbel Schneider  
COO  
Falcon Fund Management (Luxembourg) S.A.

Bastian Schwind-Wagner  
Managing Director | Head Risk Fund Administration  
Falcon Fund Management (Luxembourg) S.A.

**Depositary and paying agent in Luxembourg**

Hauck & Aufhäuser Privatbankiers AG,  
Niederlassung Luxemburg  
1c, rue Gabriel Lippmann  
5365 Munsbach, Luxembourg

**Central administration agent**

Hauck & Aufhäuser Fund Services S.A.  
1c, rue Gabriel Lippmann  
5365 Munsbach, Luxembourg

**Registration and transfer agent**

Hauck & Aufhäuser Fund Services S.A.  
1c, rue Gabriel Lippmann  
5365 Munsbach, Luxembourg

**Portfolio manager**

**for the sub-fund “Solidum-Falcon Insurance Linked Strategy Fund”**

Solidum Partners AG  
Othmarstrasse 8  
CH-8008 Zurich

for the hedging of currency translation risks for certain share classes:  
Hauck & Aufhäuser Fund Services S.A.  
1c, rue Gabriel Lippmann  
5365 Munsbach, Luxembourg

**for the sub-fund “Solidum-Falcon Insurance Opportunities Fund”**

Solidum Partners AG  
Othmarstrasse 8  
CH-8008 Zurich

for the hedging of currency translation risks for certain share classes:  
Hauck & Aufhäuser Fund Services S.A.  
1c, rue Gabriel Lippmann  
5365 Munsbach, Luxembourg

**for the sub-fund “Sprott-Falcon Gold  
Equity UCITS Fund”**

Sprott Asset Management LP  
Royal Bank South Tower  
200 Bay Street  
Suite 2600  
Toronto, ON

for the hedging of currency translation risks for certain share classes:  
Hauck & Aufhäuser Fund Services S.A.  
1c, rue Gabriel Lippmann  
5365 Munsbach, Luxembourg

**Global distributor**

ACOLIN Europe AG  
Reichenastrasse 11 a-c  
D-78467 Constance

**Auditor**

PricewaterhouseCoopers S.C.  
2, rue Gerhard Mercator  
L-2182 Luxembourg

## Definitions

<b>“2007 Law”</b>	The Luxembourg Law of 13 February 2007 on specialised investment funds, as amended
<b>“2010 Law”</b>	The Luxembourg Law of 17 December 2010 relating to undertakings for collective investment, as amended
<b>“2013 Law”</b>	The Luxembourg Law of 12 July 2013 on alternative investment fund managers, as amended
<b>“2016 Law”</b>	The Luxembourg Law of 23 July 2016 on reserved alternative investment funds, as amended
<b>Accumulation Unit</b>	Units without the right to distributions
<b>Back-to-Back Loan</b>	Foreign-currency loans that are raised in connection with the acquisition and ownership of foreign securities if at the same time a sum in the sub-fund currency at least as great as the raised loan is deposited with the lender, the lender’s representative or a third party appointed by the lender’s representative.
<b>Bank Working Day</b>	All days that are simultaneously a Bank Working Day in Luxembourg and in Frankfurt am Main.
<b>Cat Bonds or ILS</b>	Catastrophe-linked bonds (also referred to as insurance linked securities or ILS): debt instruments whose value and/or proceeds depend on the occurrence of an insurance event. Generally instruments with a variable interest rate that distribute in addition to a money market rate (often Libor) an additional sum (premium or risk premium) unless a relevant insurance event occurs.
<b>CHF</b>	Swiss francs, the currency of Switzerland
<b>Circular CSSF 11/512</b>	CSSF circular portraying the main changes to the legal framework relating to risk management following publication of CSSF ordinance 10-4 and the clarifications made by ESMA—additional clarifications made by CSSF regarding the rules concerning risk management and definition of the content and the form of the risk management procedure that is to be reported to the CSSF
<b>Company</b>	Falcon Fund SICAV, Société d’Investissement à Capital Variable, “SICAV” (investment company with variable capital)
<b>Consolidation Currency</b>	The currency in which the sum of all net asset values of the sub-funds of the Company are converted and expressed
<b>CRS</b>	The Common Reporting and Due Diligence Standard, developed by the OECD to introduce a global standard for the automatic exchange of information on financial accounts.
<b>CRS Act</b>	The Luxembourg Law of 18 December 2015 on the implementation of Council Directive 2014/107/EU, which in turn is based on the CRS
<b>CSSF</b>	The Luxembourg supervisory authority (“Commission de Surveillance du Secteur Financier”)

<b>Direct Insurance Event</b>	An insurance event is referred to as “direct” if capital payments are made to the insured party after the first contractually defined insurance event
<b>Directive 2004/39/EC</b>	Directive 2004/39/EC of 21 April 2004 on Markets for Financial Instruments (as amended). References in this directive should be read in conjunction with Directive 2009/65/EC as applicable
<b>Directive 2009/65/EC</b>	Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, last amended by European Parliament and Council Directive 2014/91/EU of 23 July 2014
<b>Directive 2014/65/EC</b>	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets for financial instruments (as amended). References in this Directive are to be read in the context of Directive 2009/65/EC where necessary.
<b>Distribution Unit</b>	Units with the right to distributions
<b>EU</b>	The European Union
<b>EUR</b>	Euro, the currency of the member states of the European Monetary Union
<b>FATCA</b>	“The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act” of March 18, 2010
<b>FATCA Act</b>	The Luxembourg Law of 24 July 2015 on the implementation of the IGA
<b>FATF</b>	The “Financial Action Task Force on Money Laundering”
<b>Follow-On Subscription</b>	A subscription of Units in a sub-fund/Share class made by an investor that already has Units in this sub-fund/Share class
<b>GBP</b>	The British pound, the currency of the UK
<b>IGA</b>	The Model I intergovernmental agreement between Luxembourg and the USA on the implementation of FATCA, concluded on 24 July 2015
<b>Indirect Insurance Event</b>	An insurance event is referred to as “indirect” if capital payments are made to the insured party only after the second or third contractually defined insurance event, rather than after the first.
<b>Initial Subscription</b>	A subscription of Units in a sub-fund/Share class made by an investor that does not already have Units in this sub-fund/Share class
<b>Insurance Event</b>	An Insurance Event can be described as something that occurs in a particular way, at a particular place and at a particular time and that triggers insurance payments, for example an earthquake in the U.S. state of California in the current year with a strength of more than 7.8 on the Richter scale
<b>Insurance-Linked Securities (ILS)</b>	See Cat Bonds
<b>Insured Party</b>	Also referred to as a sponsor. Contractually undertakes to make periodic payments—“insurance premiums”—to the issuers of Insurance-Linked Securities. In return, the Insured Party receives insurance cover for a specific Insurance Event.
<b>Issue Price</b>	The net asset value per Unit in a sub-fund/Share class, possibly plus a sales fee (the “Sales Charge”) in favour of the distribution agents

<b>Late Trading</b>	Acceptance of a subscription, conversion or redemption application after the deadline for accepting requests (“Cut-Off Time”) of the day in question and execution of the application in accordance with the net asset value of the day in question
<b>Libor</b>	London Interbank Offered Rate: short-term interest rate that international banks charge to their best customers for credit
<b>Market Timing</b>	Methods of arbitrage involving the investor systematically subscribing to and redeeming or converting units of one company within a short time frame, exploiting the time differences and the imperfections or weaknesses of the valuation system of the net asset value of the company
<b>Member State</b>	A member state of the European Union. States that are contracting parties to the Agreement on the European Economic Area are treated in the same way as the Member States of the European Union, with the exception of the member states of the European Union itself and within the limits of this agreement and the related legal acts.
<b>Money Market Instruments</b>	Instruments under the terms of article 3 of the Grand-Ducal Regulation of February 8, 2008, implementing Directive 2007/16/EC that are generally traded on the money market, that are liquid and whose worth can be defined precisely at any time.
<b>Net Asset Value per Unit (also referred to as Unit Value)</b>	The Net Asset Value per Unit (the “Unit value”) is calculated by dividing the entire net assets allocated to a sub-fund by the number of Units issued for this sub-fund. The net assets of the particular sub-fund represent the market value of the assets it contains less the liabilities
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>Professional Client</b>	A client according to Directive 2014/65/EC Annex II
<b>Redemption Price</b>	The Net Asset Value per Unit in a sub-fund/Share class, possibly plus a redemption fee
<b>Reference Currency</b>	The currency in which the net asset value of a sub-fund is expressed
<b>Regulated Market</b>	A market that is regulated, recognised and open to the public and that operates regularly—in accordance with Article 4, point 21 of Directive 2014/65/EC
<b>Special Purpose Vehicle (SPV)</b>	Legally independent company with the purpose of assuming claims from an enterprise arising from obligations, securitising them and placing them on the capital market.
<b>Sub-Fund</b>	The various investment portfolios of the Company that are invested in accordance with an investment policy specific to these investment portfolios. The Company’s total assets correspond to the total of all the Company’s investment portfolios; the investment portfolios are however treated vis-à-vis third parties and in the relations of the Unit-Holders of the various investment portfolios between each other as independent Units that are liable exclusively for their own liabilities that are allocated to them in the net asset value calculation
<b>Third-Party State</b>	For the purposes of this sales prospectus, a Third-Party State is any state that is not a member of the European Union or part of the European Economic Area
<b>U.S. Person</b>	Any U.S. Person covered by the area of application of the FATCA provisions

<b>UCI</b>	Undertaking for collective investment
<b>UCITS</b>	Undertakings for collective investment in transferable securities under the terms of Part 1 of the Law of December 17, 2010 and Directive 2009/65/EC
<b>Unit</b>	A no par unit in a share class/sub-fund in the Company's capital
<b>Share classes</b>	Various categories of Units in a sub-fund for which variable factors such as a special fee structure, currency, distribution policy or other modalities apply and distinguish the category from another category of Units in the same sub-fund. For each Share class a separate net asset value per Unit is calculated, which may differ as the result of these variable factors.
<b>Unit-Holder</b>	A holder of Units issued by the Company
<b>USD</b>	U.S. dollar, the currency of the United States of America

Unless otherwise stated, all time references made in this prospectus refer to Luxembourg time.

Wherever the context permits, words used in the singular also apply in the plural and vice versa.

# Prospectus

## 1. Introductory comments

### 1.1. Structure and legal information regarding the Company

Falcon Fund SICAV (the “Company” or “Fund”) is a joint-stock company (société anonyme) that is organised in accordance with currently valid version of the law of the Grand Duchy of Luxembourg of August 10, 1915 (the “Law of August 10, 1915”) and permitted in accordance with part I of the currently valid version of the law of the Grand Duchy of Luxembourg of December 17, 2010, on undertakings for collective investment (the “Law of 2010”) as an undertaking for collective investment in transferable securities in the form of a “société d’investissement à capital variable” (SICAV). The Company is a SICAV that has appointed a management company. The Company has been established for an unlimited period on the initiative of Falcon Private Bank Ltd., Pelikanstrasse 37, Postfach 1376, CH-8021 Zurich (in this context also the “Promoter”).

The Company has an “umbrella structure” that makes it possible for various sub-funds to be formed that correspond to different investment portfolios (“Sub-Funds”).

Additional legal information on the Company is given below in section 6, “The Company.”

The following Sub-Funds are currently being offered to the investor:

Sub-Fund	Currency
Sprott-Falcon Gold Equity UCITS Fund	USD
Solidum-Falcon Insurance Linked Strategy Fund	USD
Solidum-Falcon Insurance Opportunities Fund	USD

### 1.2. Legal information regarding the management company

The Company has appointed Falcon Fund Management (Luxembourg) S.A. (the “Management Company”) as the management company for the Company by means of the Management Company Services Agreement with effect from February 12, 2007. Under the terms of this agreement, the Management Company performs the investment management, central administration and distribution for the Company. The Management Company Services Agreement was concluded for an unlimited period and can be terminated in writing by any contracting party with effect at the end of a calendar month, subject to three months’ notice. The liability of the Company remains unaffected by the transfer of said functions to the Management Company.

The Management Company is a public limited company (société anonyme), which has been created under the currently applicable version of the Law of 10 August 1915 and is authorised as a Management Company in accordance with Section 15 of the Law of 2010. In addition, on 14 October 2014, the Management Company was approved as an alternative investment fund manager (“AIFM”) in accordance with the Law of 12 July 2013 on alternative investment fund managers, implementing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 (the “2013 Law”). The Management Company was established on October 10, 1988, under Luxembourg law under the name UBZ International Trust Management for an unlimited period, renamed AIG International Trust Management S.A. on July 26, 1999, and renamed Falcon Fund Management (Luxembourg) S.A. on May 12, 2009.

Additional legal information on the Management Company is given below in section 7, “The Management Company.”

### 1.3. Information about the prospectus

This prospectus is divided into a general part containing the provisions that apply to all Sub-Funds and one or more prospectus annexes that describe the individual Sub-Funds, with each annex containing provisions that only apply to the individual Sub-Fund, either as additional provisions or as provisions that differ from the general part of the prospectus. The prospectus is

available at the Company's registered office for viewing free of charge by the Unit-Holders. The prospectus may be supplemented or modified. The Unit-Holders are informed of this in accordance with legal stipulations and by means of an updated prospectus.

The Company is entitled, in accordance with the Law of 2010, to compile one or more special prospectuses for the distribution of Units of one or more Sub-Funds or for a particular distribution country. Such special prospectuses always contain the general part and the applicable annexes concerning the Sub-Funds offered in the distribution country along with other additional provisions of the distribution country that apply for the distribution of the Company's Units.

#### 1.4. Information on the Units

The Company may issue no par investment units ("Units") that relate to the Sub-Funds described in this prospectus. The distribution of Units of individual Sub-Funds may be limited to certain countries. Further information on the Units and the conditions for the subscription, conversion and redemption of Units is given in the following sections.

The Company may issue new, additional Sub-Funds at any time. In each case, a corresponding addendum is then added to the prospectus in the form of an additional annex.

The Company may furthermore decide to offer various classes of Units within a particular Sub-Fund ("Share classes") whose assets are jointly invested in accordance with the specific investment policy of the corresponding Sub-Fund. For each Share class, variable factors such as a special fee structure, currency, distribution policy or other modalities may however apply. For each Share class a separate Net Asset Value per Unit is calculated, which may differ as the result of these variable factors. The specific characteristics for each Share class, where Share classes are offered within a Sub-Fund, are listed for each Sub-Fund in the corresponding annex of the prospectus.

#### 1.5. Stock exchange listing

The Management Company may arrange the listing of Units of the Company on the Luxembourg stock exchange if and insofar as they are issued. The Management Company may also arrange listings on another stock exchange in one or more countries or approval for the Regulated Market.

#### 1.6. Data protection

The ManCo/the Fund and other entities may store on computer systems and process, by electronic or other means, personal data (i.e. any information relating to an identified or identifiable natural person, hereafter, the "**Personal Data**") concerning the Share/Unitholders and their representative(s) (including, without limitation, legal representatives and authorised signatories), employees, directors, officers, trustees, settlors, their share/unitholders, and/or unitholders for, nominees and/or ultimate beneficial owner(s) (as applicable) (i.e. the "**Data Subjects**").

Personal Data provided or collected in connection with an investment in the Fund may be processed by the ManCo (i.e. the "**Controller**"). In certain cases, service providers of the ManCo and/or of the Fund being the Registrar and Transfer Agent, the Depositary and Paying Agent, the Distributor and its appointed sub-distributors may also process Personal Data of Data Subjects as controller, in particular for compliance with their legal obligations in accordance with laws and regulations applicable to them (such as anti-money laundering identification) and/or order of any competent jurisdiction, court, governmental, supervisory or regulatory bodies, including tax authorities (i.e. each a "**Co-Controller**", together the "**Co-Controllers**" and together with the Controller, the "**Controllers**").

The Administrative Agent, the Auditor, legal and financial advisers and other potential service providers of the Fund and/or of its ManCo (including its information technology providers, cloud service providers and external processing centres) and, any of the foregoing respective agents, delegates, affiliates, sub-contractors and/or their successors and assigns, acting as processor on behalf of the ManCo and/or the Fund (i.e. the "**Processors**").

The Controllers and Processors will process Personal Data in accordance with Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "Data Protection Directive") as transposed in applicable local laws applicable to them and, when applicable, the Regulation (EU) 2016/679 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 (the "General Data Protection Regulation", as well as any law or regulation relating to the protection of personal data applicable to them (together the "Data Protection Law").

Further information relating to the processing of Personal Data of Data Subjects may be provided or made available, on an ongoing basis, through additional documentation and/or, through any other communications channels, including electronic communication means, such as electronic mail, internet/intranet websites, portals or platform, as deemed appropriate to allow the Controllers and/or Processors to comply with their obligations of information according to Data Protection Law.

Personal Data may include the following information categories of personal data, without limitation, authenticating (password, PIN etc.), identifying (name, nickname etc.), contact (email address, telephone number etc.), account (credit card number, bank account etc.), transactional (purchases, income, taxes etc.), professional (job title, work history etc.), communication (phone recordings, voice mail, email etc.) and national identification number or any other identifier of general application of Data Subjects and any other Personal Data that is necessary to Controllers and Processors for the purposes described below.

Personal Data is collected directly from Data Subjects by Controllers and/or Processors or may be collected by Controllers and/or Processors through publicly accessible sources, subscription services, worldcheck database, sanction lists, centralised investor database, public registers or other publicly accessible sources.

Personal Data of Data Subjects will be processed by the Controllers and Processors for the purposes of

- (i) offering investment in Shares/Units and performing the related services as contemplated under this Prospectus and other relevant documents, including, but not limited to, the subscription agreement the agreement with the Depository, the agreement with the Management Company, the agreement with the Central Administration and the agreement with the Transfer Agent, including, but not limited to the management and administration of Shares/Units and any related account on an on-going basis and the operation of the Fund's investment in sub-funds, including processing subscriptions and redemptions, conversion, transfer and additional subscription request, the administration and payment of distribution fees (if any), payments to Share/Unitholders, updating and maintaining records and fee calculation, maintaining the register of Share/Unitholders, providing financial and other information to the Share/Unitholders,
- (ii) developing and processing the business relationship with the Co-Controllers and/or Processors and optimizing their internal business organisation and operations, including the management of risk,
- (iii) direct or indirect marketing activities (such as market research or in connection with investments in other investment fund(s) managed by the ManCo and,
- (iv) other related services rendered by any service provider of the Controllers and/or Processors in connection with the holding of Shares/Units in the Fund (hereafter the "Purposes").

Personal Data will also be processed by the Controllers and Processors to comply with legal or regulatory obligations applicable to them and to pursue their legitimate interests or to carry out any other form of cooperation with, or reporting to, public

authorities including, but not limited to, legal obligations under applicable fund and company law, prevention of terrorism financing law, anti-money laundering law, prevention and detection of crime, tax law (such as reporting to the tax authorities under FATCA and CRS Law to prevent tax evasion and fraud) (as applicable), and to prevent fraud, bribery, corruption and the provision of financial and other services to persons subject to economic or trade sanctions on an on-going basis in accordance with the anti-money laundering procedures of the Controllers and Processors, as well as to retain AML and other records of the Data Subjects for the purpose of screening by the Controllers and Processors, including in relation to other funds or clients of the ManCo and/or the Central Administrator (hereafter the “**Compliance Obligations**”).

Telephone conversations and (electronic) communications made to and received from the Controllers and/or Processors may be recorded where necessary for the performance of a task carried out in the public interest or where appropriate to pursue the Controllers’ and/or Processors’ legitimate interests, including

- (i) for record keeping as proof of a transaction or related communication in the event of a disagreement,
- (ii) for processing and verification of instructions,
- (iii) for investigation and fraud prevention purposes,
- (iv) to enforce or defend the Controllers’ and Processors’ interests or rights in compliance with any legal obligation to which they are subject and
- (v) for quality, business analysis, training and related purposes to improve the Controllers and Processors relationship with the Share/Unitholders in general. Such recordings will be processed in accordance with Data Protection Law and shall not be released to third parties, except in cases where the Controllers and/or Processors are compelled or entitled by laws or regulations applicable to them or court order to do so.

Such recordings may be produced in court or other legal proceedings and permitted as evidence with the same value as a written document and will be retained for a period of 10 years starting from the date of the recording. The absence of recordings may not in any way be used against the Controllers and Processors.

Controllers and Processors will collect, use, store, retain, transfer and/or otherwise process Personal Data:

- (i) as a result of the subscription or request for subscription of the Share/Unitholders to invest in the Fund where necessary to perform the Investment Services or to take steps at the request of the Share/Unitholders prior to such subscription, including as a result of the holding of Shares/Units in general and/or;
- (ii) where necessary to comply with a legal or regulatory obligation of the Controllers or Processors and/or;
- (iii) where necessary for the performance of a task carried out in the public interest and/or;
- (iv) where necessary for the purposes of the legitimate interests pursued by Controllers or by Processors, which mainly consist in the performance of investment services, including where the subscription agreement is not entered into directly by the Share/Unitholders or, in direct or indirect marketing activities as described in the Purposes mentioned above or, in complying with the Compliance Obligations and/or any order of a foreign court, government, supervisory, regulatory or tax authority, including when providing investment services to any beneficial owner and any person holding Shares/Units directly or indirectly in the Fund.

Personal Data will only be disclosed to and/or transferred to and/or otherwise accessed by the Controllers and/or Processors, and/or any target entities, sub-funds and/or other funds and/or their related entities (including without limitation their respective and/or management company and/or central administration / investment manager / service providers) in or through which the Fund intends to invest, as well as any court, governmental, supervisory or regulatory bodies, including tax authorities in Luxembourg or in various jurisdictions, in particular those jurisdictions where

- (i) the Fund/ the ManCo for the Fund is or is seeking to be registered for public or limited offering of its Shares/Units,
- (ii) the Share/Unitholders are resident, domiciled or citizens or
- (iii) the Fund/ the ManCo for the Fund is, or is seeking to, be registered, licensed or otherwise authorised to invest for carrying out the Purposes and to comply with the Compliance Obligations (i.e. the “**Authorised Recipients**”).

The Authorised Recipients may act as processor on behalf of Controllers or, in certain circumstances, as Co-Controller for pursuing their own purposes, in particular for performing their services or for compliance with their legal obligations in accordance with laws and regulations applicable to them and/or order of court, government, supervisory or regulatory body, including tax authority.

Controllers undertake not to transfer Personal Data to any third parties other than the Authorised Recipients, except as disclosed to Share/Unitholders from time to time or if required by applicable laws and regulations applicable to them or, by any order from a court, governmental, supervisory or regulatory body, including tax authorities.

**By investing in Shares/Units of the Fund, the Share/Unitholders acknowledge and accept that Personal Data of Data Subjects may be processed for the Purposes and Compliance Obligations described above and in particular, that the transfer and disclosure of such Personal Data may take place to the Authorised Recipients, including the Co-Controllers and/or Processors, which may be located outside of the European Union, in countries which are subject to an adequacy decision of the European Commission<sup>1</sup> and which legislation does ensure an adequate level of protection as regards the processing of personal data.**

Controller[s] will only transfer Personal Data of Data Subjects for performing the Purposes or for complying with the Compliance Obligations.

Controllers will transfer Personal Data of the Data Subjects to the Authorised Recipients located outside of the European Union

- (i) on the basis of an adequacy decision of the European Commission with respect to the protection of personal data and/or on the basis of the EU-U.S. Privacy Shield framework or,
- (ii) on the basis of appropriate safeguards according to Data Protection Law, such as standard contractual clauses, binding corporate rules, an approved code of conduct, or an approved certification mechanism or,
- (iii) in the event it is required by any judgment of a court or tribunal or any decision of an administrative authority, Personal Data of Data Subjects will be transferred on the basis of an international agreement entered into between the European Union or a concerned member state and other jurisdictions worldwide.

Insofar as Personal Data provided by the Share/Unitholders include Personal Data concerning other Data Subjects, the Share/Unitholders represent that they have authority to provide such Personal Data of other Data Subjects to the Controllers.

If the Share/Unitholders are not natural persons, they must undertake to

- (i) inform any such other Data Subject about the processing of their Personal Data and their related rights as described under this Prospectus, in accordance with the information requirements under the Data Protection Law and
- (ii) where necessary and appropriate, obtain in advance any consent that may be required for the processing of the Personal Data of other Data Subjects as described under this Prospectus in accordance with the requirement of Data Protection Law.

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<sup>1</sup> Countries subject to an adequacy decision of the European Commission are : Andorra, Argentina, Canada (commercial organisations), Faroe Islands, Guernsey, Israel, Isle of Man, Jersey, New Zealand, Switzerland, Uruguay, and the United States of America (limited to entities officially registered and listed in the EU-U.S. Privacy Shield framework).

Answering questions and requests with respect to the Data Subjects' identification and Shares/Units held in the Fund, FATCA and/or CRS is mandatory.

**The Controllers reserve the right to reject any application for Shares/Units if the prospective investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements. The Share/Unitholders acknowledge and accept that failure to provide relevant Personal Data requested in the course of their relationship with the Fund/the ManCo may prevent them from acquiring or maintaining their Shares/Units in the Fund and may be reported to the relevant Luxembourg authorities.**

**In addition, failure to provide the requested Personal Data could lead to penalties which may affect the value of the Share/Unitholders' Shares/ Units.**

**The Share/Unitholders acknowledge and accept that any relevant information in relation to their investments in the Fund will be reported to the Luxembourg tax authorities (*Administration des contributions directes*) which will exchange this information on an automatic basis with the competent authorities in the United States or other permitted jurisdictions as agreed in FATCA and CRS, at OECD and European levels or equivalent Luxembourg legislation.**

Each Data Subject may request, in the manner and subject to the limitations prescribed in accordance with Data Protection Law,

- (i) access to, rectification, or deletion of, any incorrect Personal Data concerning him,
- (ii) a restriction of processing of Personal Data concerning him and,
- (iii) to receive Personal Data concerning him in a structured, commonly used and machine readable format or to transmit those Personal Data to another controller and,
- (iv) to obtain a copy of, or access to, the appropriate or suitable safeguards, such as standard contractual clauses, binding corporate rules, an approved code of conduct, or an approved certification mechanism, which have been implemented for transferring the Personal Data outside of the European Union, if applicable. In particular, Data Subjects may at any time object, on request, to the processing of Personal Data concerning them for marketing purposes or for any other processing carried out on the basis of the legitimate interests of Controllers or Processors.

Each Data Subject should address such requests to the Controller to the attention of the Board of Directors via post mail at the registered office or via e-mail at [falconfundmgmt-lux@falconpb.com](mailto:falconfundmgmt-lux@falconpb.com).

The Share/Unitholders are entitled to address any claim relating to the processing of their Personal Data carried out by Controller in relation with the performance of the Purposes or compliance with the Compliance Obligations to the relevant data protection supervisory authority (i.e. in Luxembourg, the *Commission Nationale pour la Protection des Données*).

The Controllers and Processors processing Personal Data on behalf of the Controllers will accept no liability with respect to any unauthorised third party receiving knowledge and/or having access to Personal Data, except in the event of proved negligence or wilful misconduct of the Controllers or such Processors.

Personal Data of Data Subjects is held until Share/Unitholders cease to have Shares/ Units in the Fund and a subsequent period of 10 years thereafter where necessary to comply with laws and regulations applicable to them or to establish, exercise or defend actual or potential legal claims, subject to the applicable statutes of limitation, unless a longer period is required by laws and regulations applicable to them. In any case, Personal Data of Data Subjects will not be held for longer than necessary with regard to the Purposes and Compliance Obligations contemplated in this Prospectus, subject always to applicable legal minimum retention periods.

## 2. Investment objectives and investment policy

The Company invests the assets of the individual Sub-Funds in accordance with section 3 below, “Investment limits,” primarily with consideration given to appropriate sector weighting and the principle of risk distribution.

The investments of the Sub-Funds are generally made in stocks and other equities, stock warrants, fixed-interest and variable-interest securities (including zero bonds) and in warrants on securities, convertible bonds and option bonds whose warrants guaranteed rights to securities and in units of investment funds. The Company may additionally hold liquid assets for each of the Sub-Funds in accordance with art. 41(2) of the Law 2010, on Undertakings for Collective Investment.

The specific characteristics of the investment policy of the individual Sub-Funds are described in the annexes to the prospectus.

With the framework of the guidelines and limits imposed by Luxembourg law, the Company may deploy investment techniques and instruments for each Sub-Fund in the context of pursuing specific investment objectives as described in section 4 below, “Investment techniques and instruments.”

The acquisition or disposal of options and futures and the conclusion of other forward transactions is permitted both to hedge against possible price losses on the securities markets and to a limited extent to optimise returns within the framework of section 4 of this prospectus, “Investment techniques and instruments.”

### 2.1. Cluster munitions

The Luxembourg law of 4 June 2009 approving the Convention on Cluster Munitions prohibits the financing of cluster munitions.<sup>2</sup>

Therefore, the Fund does not invest in equities and/or debt securities issued by companies involved in cluster munitions. For this purpose, the Fund uses a list published by the Luxembourg General Pension Compensation Fund (Fonds de compensation commun au régime général de pension) listing companies involved in cluster munitions and conducts additional investigative activities. If a company carrying out relevant activities is identified, the Fund's policy is not to invest in the securities issued by that company.

### 2.2. Risk information

The performance of Units remains dependent, however, on price changes and the capital and securities markets, so no guarantee can be given that the objectives of the investment policy will be reached. Furthermore, the value of Units at the time of redemption, in accordance with the market value of the assets of the Company at the time of redemption, may be higher or lower than their purchase price.

The trade and settlement practices of some stock exchanges or markets on which a Sub-Fund may invest may not be the same as those applied in more strongly developed markets. This may increase the settlement risk and/or result in delays in the realisation of investments. Moreover, a Sub-Fund is subject to a credit risk vis-à-vis parties with which it trades and must bear the risk of settlement failure. The portfolio manager may commission the depositary to process transactions in accordance with the method of delivery free of payment (FoP) if the portfolio manager believes that this form of processing is the customary practice on the relevant market. The Unit-Holders should however be aware that this may result in a loss of the relevant Sub-Fund if the settlement of such a transaction fails.

Investments in options and warrants on securities involve certain financial risks as the result of their greater volatility in comparison with the titles underlying them to which said instruments relate.

The deployment of derivatives (e.g. options, futures and other forward transactions) involves elevated risks due to leverage:

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<sup>2</sup> Loi du 4 juin 2009 portant approbation de la Convention sur les armes à sous-munitions, ouverte à la signature à Oslo le 3 décembre 2008 [Gesetz vom 4. Juni 2009 zur Genehmigung des Übereinkommens über Streumunition, das am 3. Dezember 2008 in Oslo zur Unterzeichnung eröffnet wurde], <http://www.legilux.public.lu/leg/a/archives/2009/0147/a147.pdf#page=2>

In the case of options, the following risks may arise, for example:

- The purchase price of an acquired call or put option is lost on the due date.
- If a call option is sold, there is a risk that the Sub-Funds may no longer be able to participate in a particularly strong value increase in the asset. If put options are sold, there is a risk that the Sub-Funds will be obliged to accept assets at the strike price although the market value of these assets is considerably lower.
- As a result of the leverage associated with options, the value of the Sub-Funds may be influenced more greatly than would be the case for a direct acquisition of assets.
- The risks arising from forward interest-rate agreements (FRAs) and interest limitation agreements (caps, floors and collars) are comparable with those arising from option transactions.
- If two stock exchange forward transactions (e.g. option transactions on financial-futures contracts and securities index options) are performed consecutively, additional risks may arise based on the financial-futures contracts or options transactions that then come about and that may far exceed the original investment in the form of the price paid for the option or the warrant.

Financial-futures contracts involve both considerable opportunities and risks, as only a fraction of the contract value (the margin) needs to be paid immediately. If the expectations of the fund management cannot be met, the difference between the price of the underlying security at the time of conclusion and the market price must be borne by the particular Sub-Fund at the latest by the settlement date of the transaction.

The costs and possible losses arising in the case of forward exchange transactions or the acquisition of corresponding options and warrants reduce the profit of the particular Sub-Fund. In this respect, the above statements regarding securities option transactions and financial-futures contracts apply accordingly.

If the particular Sub-Fund may conclude derivative OTC transactions (e.g. non-exchange traded futures and options, forwards, swaps, in particular total return swaps or contracts for difference (CFDs)), it is exposed to a greater credit and counterparty risk that the Company or the corresponding investment manager can reduce by concluding collateral management agreements (collateral agreements).

Performing transactions on OTC markets exposes the particular Sub-Fund to the credit risk of its counterparties and the risk in relation to their ability to fulfil contractual obligations. In the event of a counterparty becoming bankrupt or insolvent, the Sub-Fund may experience delays in the processing of positions and significant losses, including depreciations in the investments made occurring during the period in which the Sub-Fund attempts to enforce its rights, inability to realise profits during this period and costs incurred in relation to the enforcement of these rights. Equally there is a risk of the above agreements and derivative techniques being terminated for example by bankruptcy, arising unlawfulness or a change in the legislative regulations relating to tax or accounting.

On January 12, 2016, Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 entered into force.

Every Sub-Fund can conclude securities financing transactions. Securities financing transactions give market participants access to collateralised refinancing—that is, the option of deploying assets to raise finance. Assets can temporarily be pledged for financing transactions. Examples of securities financing transactions include:

- securities lending transactions,
- repurchase agreements and
- buy-sell back transactions or
- sell-buy back transactions.

These securities financing transactions can fundamentally be deployed for all types of assets that the particular Sub-Fund is allowed to hold in accordance with its investment policy. The maximum share of managed assets that can be used in these

transactions can correspond to the entire portfolio of a particular Sub-Fund. Unit certificate holders can find information on performing securities financing transactions in the latest (semi-)annual report.

No securities financing transactions are concluded at present, however. If the Management Company plans to perform transactions of this type, this will be announced in a new edition of the sales prospectus.

The counterparties in securities financing transactions must be institutes that are subject to official supervision that belong to categories that have been approved by the CSSF and must have been given an investment-grade rating by a reputable rating agency. Alternatively, the Management Company can apply its own procedure for assessing the creditworthiness of a counterparty.

Income arising from the use of securities financing transactions should fundamentally be allocated to the fund's assets—less direct or indirect operational costs. The Management Company may charge a remuneration in accordance with section 21, "Fees and costs," for initiating, preparing and performing such transactions.

Deploying securities financing transactions can give rise to the following special risks in particular:

When securities financing transactions are concluded, a main risk is that of default by a counterparty that has become insolvent or otherwise no longer able or willing to meet its contractual obligations to return securities or cash to the particular Sub-Fund. The counterparty risk can be reduced by transferring or pledging collateral in favour of the particular Sub-Fund. However, securities financing transactions cannot always be fully hedged. Fees and income of the particular Sub-Fund arising from securities financing transactions are not normally hedged. Furthermore, the value of the collateral may drop, be set incorrectly or be inadequately monitored between multiple occasions of collateral reweighting. If a counterparty defaults in such a case, the particular Sub-Fund may need to sell the received non-cash collateral at the prevailing market price, which may result in a loss for the particular Sub-Fund.

The net risks (i.e. the risks of the particular Sub-Fund less its received collateral) that the particular Sub-Fund is exposed to vis-à-vis a counterparty that arise from securities financing transactions must be taken into account in accordance with item 2 of box 27 of ESMA guideline 10-788 within the 20% investment limit of article 43(2) of the law of 2010.

Securities financing transactions also entail operational risks such as non-performance or delayed performance of instructions and legal risks relating to the documentation underlying the transactions.

For the particular Sub-Fund, securities financing transactions may be concluded with other companies within the group of an investment manager. Such counterparties then perform their obligations arising from securities financing transactions with the diligence that is customary in commercial transactions. Furthermore, the corresponding investment manager then concludes transactions for the particular Sub-Fund in accordance with the rules for the best execution and also selects the particular counterparties in accordance with these rules, acting in the best interests of the particular Sub-Fund and its investors. However, the investors should be aware that the particular investment manager may be exposed to a conflict of interest with regard to the investment manager's own role and interests and the interests of counterparties of the same group.

The Sub-Fund reinvesting cash collateral that the Sub-Fund has received as the result of securities financing transactions involves the risk of loss. Such a loss may also result from a depreciation of the investments performed with the cash collateral. A depreciation of the investments performed with the cash collateral results in a reduction in the collateral available at the end of the particular transaction that the Sub-Fund must return to the counterparty. In this case the particular Sub-Fund would be obliged to bear the value difference between the collateral originally received and the sum actually available to repay the counterparty, resulting in a loss for the particular Sub-Fund.

### **2.3. Risk information for investments in emerging nations**

The specific investment policy of one or more Sub-Funds may permit investments in assets from emerging nations.

Investing in the securities from emerging nations involves a variety of risks. These are mainly dependent on the rapid economic and political development process that some of these nations experience. Moreover, such markets often have less market capitalisation and tend to display elevated volatility limited liquidity. Moreover, the past performance of these markets gives no indication as to their future performance. Other factors (such as political changes, foreign currency translation changes,

stock exchange checks, taxes, restrictions regarding foreign capital investments and reflux of capital) can also impair the marketability of securities and the resulting income; there is some risk that these factors will very heavily influence certain issuers' ability to pay or even render them insolvent.

Furthermore, these companies could be subject to significantly less state control and a less differentiated or enforceable legislation. Their accounting and auditing do not always correspond to our local standards.

Investments in emerging nations (e.g. Russia) may involve specific political, economic and financial risks that have a major influence on the liquidity of the investments made. Furthermore, such investments are also exposed to risks that are hard to calculate that would not arise to such an elevated extent in investments in OECD countries or other emerging nations.

Investments in emerging nations are also exposed to greater risks with regard to the ownership and safeguarding of securities. Ownership of companies is predominantly determined by an entry in the books of this Company or its registry administrator (this registry administrator is neither an authorised representative of the depositary nor liable to the depositary). Certificates relating to the ownership of companies are often not held by the depositary, one of its correspondents or an efficient central depositary. As a result of this, and through lack of efficient regulation by state bodies, the Company can lose ownership of or registration of Units in companies through fraud, serious errors or negligence. Moreover, borrower's notes entail an elevated custodianship risk as these papers are held according to prevailing market conventions by local institutions that are not always adequately secured against loss, theft, destruction or insolvency while the assets are being safeguarded.

Potential investors should therefore be aware of all these risks that are involved in investing in one the Sub-Funds that predominantly or partially invest in emerging nations. As far as possible, these risks are reduced through the number and the distribution of the investments of the particular Sub-Fund's assets.

#### 2.4. FATCA & CRS

Under FATCA and according to the CRS Act, the Company may be obliged to request certain documents from its unitholders that relate to their tax domicile or to request other information that is required to comply with its obligations under the aforementioned laws. If the Company is subjected to tax payments and/or penalties due to failure to comply with obligations under the FATCA law or penalties for failure to comply with obligations under the CRS Act, this may significantly impair the value of the units.

#### 2.5. The German Investment Tax Act (new version) (Investmentsteuergesetz; InvStg)

Unitholders should note the potential tax effects of the InvStG (new version). The InvStG (new version) has been in force since 1/1/2018 and does not provide for any transitional provisions. Basically, the InvStG (new version) introduced a non-transparent taxation system, under which both the investment fund as defined by the InvStG (new version) and investors may be subject to taxation.

### 3. Investment limits

The investment policy of each Sub-Fund is subject to the following provisions and limitations and further limitations can be set for each Sub-Fund and set out in concrete terms in the prospectus annexes for the Sub-Fund in question:

Each Sub-Fund can only invest in:

- 1)
  - 1.1. securities and Money Market Instruments that are listed or traded on a Regulated Market;
  - 1.2. securities and Money Market Instruments that are traded on another Regulated Market of a Member State that is recognised and open to the public and that operates regularly;
  - 1.3. securities and Money Market Instruments that are officially listed on a securities exchange of a Third-Party State or traded on another Regulated Market of a state outside of the European Union that is recognised and open to the

public and that operates regularly, insofar as the selection of this exchange or market is provided for in the Company's organisational documents;

- 1.4. Securities and Money Market Instruments from new issues, provided that:
  - a) the issue conditions include the obligation that approval has been requested for official listing on a securities exchange described under 1.1., 1.2. or 1.3. or on a Regulated Market described under 1.1., 1.2. or 1.3. that is recognised and open to the public and that operates regularly;
  - b) the approval is received one year after the issue at the latest.
- 2) Shares of UCITS approved in accordance with Directive 2009/65/EC and/or other UCIs under the terms of article 1(2) subparagraphs a) and b) of Directive 2009/65/EC domiciled in a Member State or a Third-Party State, provided that:
  - 2.1. these other UCIs have been approved in accordance with legal regulations that provide that they are subject to supervision that, in the opinion of the CSSF, is equivalent to that set down in Community law, and that there is sufficient guarantee for cooperation between the authorities.
  - 2.2. the level of protection that the Unit-Holders of these other UCIs have is equivalent to the level of protection that the Unit-Holders of a UCITS have and, in particular, the regulations for the separate custodianship of the assets, credit raising, credit granting and short selling of Securities and Money Market Instruments are equivalent to the requirements of Directive 2009/65/EC;
  - 2.3. the business activity of these other UCIs is subject to semi-annual and annual reports that allow a judgment to be made regarding the assets and the liabilities, the income and the transactions in the reporting period;
  - 2.4. the UCITS or the other UCIs whose units are to be acquired have organisational documents that stipulate that no more than a total of 10% of their assets may be invested in units of other UCITS or UCIs;
- 3) deposits with banks that are repayable on demand or have the right to be withdrawn that mature in no more than 12 months, provided that the credit institution is domiciled in a Member State, or, if the registered office of the credit institution is in a Third-Party State, is subject to supervision conditions that, in the opinion of the CSSF, are equivalent to those set down in Community law;
- 4) derived financial instruments ("Derivatives"), including equivalent instruments settled in cash that are traded on one of the Regulated Markets described under items 1.1., 1.2. and 1.3, or derived financial instruments that are not traded on a stock exchange ("OTC Derivatives"), provided that:
  - 4.1. the underlying assets are instruments under the terms of items 1 to 5 of financial indices, interest rates, exchange rates or currencies that the UCITS may invest in in accordance with the investment objectives stated in its organisational documents;
  - 4.2. the counterparties in transactions with OTC Derivatives of an institute that is subject to official supervision belong to categories that have been approved by the CSSF; and
  - 4.3. the OTC Derivatives are subject to a reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offset transaction at any time at their fair value at the initiative of the UCITS;
- 5) Money Market Instruments that are not traded on a Regulated Market and that are covered by the definition of article 1 of the Law of 2010, provided that the issue or the issuers of these instruments are already subject to regulations regarding investment and investor protection, and provided that these instruments are:
  - 5.1. issued or guaranteed by a national, regional or local institution or the central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, by a Third-Party State or, in the case of a Federal State, by one of the members making up the federation, or an international public-sector institute with which one or more Member States are affiliated; or
  - 5.2. issued by a company whose securities are traded on the Regulated Markets described under 1.1., 1.2. and 1.3.; or

- 5.3. issued or guaranteed by an institution that is subject to supervision in accordance with criteria set down in Community law or an institution that is subject to supervision conditions that, in the opinion of the CSSF, are at least as strict as those of Community law and that observes these; or
  - 5.4. issued by another issuer that belongs to a category that has been approved by the CSSF, provided that regulations for investor protection apply to investments in these instruments that are equivalent to those described under 5.1., 5.2. and 5.3. and provided that the issuer is either a company with an equity of at least ten million euros (EUR 10,000,000) that compiles and publishes its annual financial statement in accordance with the regulations of the fourth Directive 78/660/EEC; a legal entity that is, within a corporate group comprising one or more listed companies, responsible for the financing of that group; or a legal entity that is intended to finance the Securities collateralisation of accounts payable by using a credit line accorded by a bank.
- 6) Each Sub-Fund, however:
- 6.1. may invest up to a maximum of 10% of its net assets in securities and Money Market Instruments other than those described in items 1-5;
  - 6.2. may acquire moveable and immoveable assets that are vital for the direct fulfilling of its duties;
  - 6.3. must not acquire precious metals or certificates representing precious metals, with the exception of certificates that are to be considered securities and that are recognised as permitted assets in the scope of the administration practice;
- 7) The particular Sub-Fund may also hold liquid assets.
- 8) The particular Sub-Fund ensures that the overall risk associated with the derivative financial instruments does not exceed 100% of the net asset value of its portfolio and thus the entire risk does not exceed a total of 200% of the net asset value for a prolonged period. Furthermore, the particular Sub-Fund ensures that the overall risk of its portfolio is not increased by more than 10% by temporary credit raising, so that the overall risk does not under any circumstances exceed 210% of the net asset value.

The market value of the underlying assets, the default risk, future foreseeable market performances and the time available to liquidate the positions must be taken into account in the calculation of the risks. This also applies to the following subparagraphs.

The particular Sub-Fund may, as part of its investment strategy, effect investments in Derivatives within the limits set down in item 9.5., provided that the total risk of the underlying assets does not exceed the investment limits stated in item 9. Investments made by the Sub-Fund in index-based Derivatives need not be taken into account in the investment limits listed under item 9.

If a Derivative is embedded in a security or a money market instrument, it must be taken into account with regard to compliance with the regulations of this article.

- 9)
- 9.1. The particular Sub-Fund may invest no more than 10% of its net assets in securities or Money Market Instruments at one single institution. The particular Sub-Fund may invest no more than 20% of its net assets in deposits at one single institution. The default risk of the counterparty in the case of Sub-Fund transactions with OTC Derivatives must not exceed 10% of its net assets if the counterparty is a credit institution under the terms of no. 3, or exceed 5% of its net assets in other cases.
  - 9.2. The total value of the securities and Money Market Instruments of issuers in which the particular Sub-Fund invests more than 5% of its net assets must not exceed 40% of the value of its net assets. This limit is not applicable to deposits and transactions with OTC Derivatives effected with financial institutes that are subject to a supervisory authority.
- Regardless of the individual upper limits in item 9.1, the particular Sub-Fund may invest no more than 20% of its net assets at one single institution in a combination of:

- a) securities or Money Market Instruments issued by this institution
- b) deposits at this institution or
- c) OTC Derivatives acquired from this institution.

9.3. The upper limit given in item 9.1. sentence 1 is raised to no more than 35% if the securities or Money Market Instruments are issued or guaranteed by a Member State or its regional authorities, a Third-Party State or an international public-sector institute with which one or more member states are affiliated.

9.4. The upper limit given in item 9.1 sentence 1 is raised to no more than 25% if certain bonds are issued by a credit institution domiciled in a Member State that is subject to a special official supervision based on legal regulations for the protection of the owners of these bonds. In particular, the income from the issue of these bonds must, in accordance with the legal regulations, be invested in assets that adequately cover the resulting liabilities for the entire duration of the bonds and that are intended predominantly for the repayment of capital that becomes due and the payment of interest incurred in the event of failure of the issuer.

If the particular Sub-Fund invests more than 5% of its net assets in bonds under the terms of the first subparagraph that are issued by one single issuer, the total value of these investments must not exceed 80% of the Sub-Fund's net asset value.

9.5. The securities and Money Market Instruments described in items 9.3 and 9.4. are not taken into account in the application of the investment limit of 40% given in item 9.2. The limits given in items 9.1., 9.2., 9.3. and 9.4. must not be cumulated; investments in securities and Money Market Instruments of one single institute or in deposits with these institutes or in Derivatives with the same effected in accordance with items 9.1., 9.2., 9.3. and 9.4. must therefore not under any circumstances exceed 35% of the net assets of the particular Sub-Fund.

Companies that belong to the same corporate group in terms of the compilation of the consolidated accounts under the terms of Directive 83/349/EEC or in accordance with international accounting principles are to be considered as one individual institute in the calculation of the investment limits provided for in this article.

This same company may cumulatively invest up to 20% of its assets in securities and Money Market Instruments of one single corporate group.

10)

10.1. Notwithstanding the investment limits specified in item 13, the upper limits for investments in stocks and/or debt instruments of one single institute given in item 9 are raised to no more than 20% if the objective of the Sub-Fund's investment policy according to the organisational documents is to emulate a certain stock or debt instrument index approved by the CSSF; these limits apply on condition that:

- a) the composition of the index is sufficiently diversified
- b) the index represents an adequate reference base for the market that it relates to;
- c) the index is published in an appropriate manner.

10.2. The limit set down in item 10.1 is raised to no more than 35% if this is justified on the basis of extraordinary market conditions, particularly in Regulated Markets on which certain securities or Money Market Instruments are highly dominant. An investment up to this upper limit is only permitted for one single issuer.

11) **By way of derogation from item 9, the particular Sub-Fund may invest, in accordance with the principle of risk diversification, up to 100% of its net assets in securities and Money Market Instruments of various issuers that are issued or guaranteed by a Member State, its regional authorities, a state within the OECD or international public-sector institutes with which one or more Member States are affiliated. The Unit-Holders of the particular Sub-Fund must enjoy the same protection as the Unit-Holders of Sub-Funds that comply with the limits listed under points 9 and 10.**

**The particular Sub-Fund must hold securities that are issued in connection with at least six different issuers, with the securities from any one single issue not exceeding 30% of the total sum of its net assets.**

12)

12.1. Fundamentally, each Sub-Fund of the Company may acquire units of other UCITS and/or UCIs under the terms of item 2. The investment limits for the individual Sub-Funds in this connection are governed by the particular sales prospectus annex for the particular Sub-Fund.

In cases where units of another UCITS and/or other UCI are acquired, the Unit Values of the corresponding UCITS or other UCI are not taken into account in relation to the upper limits given in item 9.

12.2. Each Sub-Fund may acquire units of other UCITS and/or other UCIs under the terms of item 2, insofar as each Sub-Fund invests no more than 20% of its assets in units of one single UCITS or other UCI. The investments in units of UCIs other than UCITS must not exceed a total of 30% of the Sub-Fund's net assets.

For the purposes of the application of this investment limit, each Sub-Fund of a UCITS or other UCI with multiple Sub-Funds is considered an independent issuer within the meaning of this law, on the condition that separation of the Sub-Funds' liability vis-à-vis third parties is guaranteed.

12.3. If the Sub-Fund acquires units of other UCITS and/or UCIs under the terms of item 2, this may result in a doubling of certain commissions and expenses for the Unit-Holders. This is particularly the case for depositary and management fees and operating and auditing costs. Insofar as investments are made in UCITS or UCIs that are directly or indirectly managed by the Company itself or by a company that the Company is associated with via joint management or control agreement or by direct or indirect participating interest of more than 10% of the capital or the votes, no issue, redemption or conversion fees may be charged to the fund assets/Sub-Fund assets within the scope of such investments.

If a Sub-Fund invests a significant portion of its assets in units of other UCITS and/or UCIs under the terms of item 2, the sales prospectus will state the maximum management fees that are to be borne by the particular Sub-Fund itself and also by the other UCITS and/or UCIs in which it intends to invest. The annual report states the maximum share of management fees that the Sub-Fund must bear and that the UCITS and/or other UCIs in which the Sub-Fund invests must bear.

13)

13.1. The Company must not acquire any stocks conferring voting rights that give it the ability to exert a significant influence on the management of an issuer.

13.2. Moreover, each Sub-Fund must not acquire more than:

- a) 10% of the non-voting stocks of one single issuer;
- b) 10% of the bonds of one single issuer;
- c) 25% of the units of one single UCITS and/or other UCI;
- d) 10% of the Money Market Instruments of one single issuer.

The investment limits provided for in (b), (c) and (d) do not need to be observed during acquisition if the gross amount of the bonds or the Money Market Instruments or the net amount of the issued units cannot be calculated at the time of acquisition.

13.3. Subsections 13.1 and 13.2. are not applied to:

- a) securities and Money Market Instruments that are issued or guaranteed by a Member State of the European Union or its public regional authorities;
- b) securities and Money Market Instruments that are issued or guaranteed by a Third-Party State;

- c) securities and Money Market Instruments that are issued by international public-sector undertakings with which one or more Member States of the European Union is affiliated;
- d) stocks that the particular Sub-Fund owns in the capital of a company of a Third-Party State that invests its assets predominantly in securities of issuers that are resident in this state if such a participation represents the only way for the particular Sub-Fund to make investments in securities of issuers of this state as the result of this state's legal regulations. This exemption rule only applies, however, on the condition that the company of this Third-Party State observes in its investment policy the limits specified in items 9, 12 and 13.1 and 13.2. If the limits provided for in items 9 and 12 are exceeded, item 14 applies by analogy;
- e) stocks held by the Company in the capital of subsidiaries that exclusively exercise management, consultancy or distribution activities for the Company in the state in which the subsidiary was established with regard to the redemption of Units at the request of the Unit-Holders.

14)

14.1. The particular Sub-Fund need not observe the investment limits established in this section in the exercising of subscription rights that are linked to securities or Money Market Instruments that are part of its net assets.

Notwithstanding its obligation to observe the principle of risk distribution, the Company can be permitted to deviate from items 9, 10, 11 and 12 in the period of six months following its approval.

14.2. If the limits stated in item 14.1. are exceeded by the Company or one of its Sub-Funds unintentionally or as the result of exercising subscription rights, the Company or one of its Sub-Funds must endeavour to bring about a normalisation of this situation in its purchases as a primary goal, taking into account the interests of the Unit-Holders.

14.3. If the issuer is a legal person with multiple Sub-Funds whereby the assets of a Sub-Fund are exclusively liable for claims of investors in this Sub-Fund and for those creditors whose claim has arisen from the establishment, functioning or liquidation of this Sub-Fund, each Sub-Fund is considered to have a separate issuer for the purposes of applying the risk distribution regulations of item 9, 10 and 12.

15)

15.1. The Company must not raise any credit.

The particular Sub-Fund may, however, acquire foreign currencies via a Back-to-Back Loan.

15.2. By way of derogation from item 15.1., the Company may raise credit:

- a) up to 10% of its net assets, insofar as this involves short-term credit;
- b) up to 10% of its net assets insofar as this involves credit intended to enable the acquisition of real estate essential for the direct fulfilling of its duties; in this case this credit and the credit pursuant to subparagraph a) combined must not exceed 15% of its net assets.

16)

16.1. The Company must not grant loans or offer surety to third parties, notwithstanding the application of items 1 to 8.

16.2. Item 16.1 does not preclude the acquisition of securities or Money Market Instruments that are not fully paid or other financial instruments arising from items 2, 4 and 5 that are not fully paid on the part of the bodies concerned.

17) The Company must not effect any uncovered sales of securities, Money Market Instruments or other financial instruments named in items 2, 4 and 5.

The Company reserves the right to make other investment restrictions insofar as this proves necessary to fulfil the laws and regulations of countries in which Units of the Company are offered or sold.

## 4. Investment techniques and instruments

### 4.1. General provisions

The particular Sub-Fund can deploy Derivatives and other techniques and instruments for efficient management of the portfolio or for duration management or risk management of the portfolio.

For investment of the fund's assets, the requirements of the law of 2010 and the Grand-Ducal Regulation of February 8, 2008, implementing Directive 2007/16/EC are observed.

The Company may, where permitted in the part specific to the Sub-Fund, implement techniques and instruments for the particular Sub-Fund in observance of the applicable laws, regulations and CSSF circulars. Insofar as techniques and instruments are deployed for efficient portfolio management, the Company ensures that the risks arising therefrom are covered appropriately by the risk management with regard to the particular Sub-Fund.

These techniques and instruments include, in addition to securities financing transactions, mainly Derivatives, in particular options, financial-futures contracts, swaps and combinations thereof.

Techniques and instruments involving securities and Money Market Instruments must not result in a change to the declared investment objective of the particular Sub-Fund or entail significant additional risks in comparison with the original risk strategy described in the sales prospectus.

All income arising from the techniques and instruments for efficient portfolio management less the direct and indirect operational costs must be paid to the particular Sub-Fund.

If these transactions relate to the deployment of Derivatives, the conditions and limits must be in accord with the stipulations of section 3 above. Furthermore, the stipulations of section 4.5 relating to risk management for Derivatives must be observed.

The use of Derivatives and other techniques and instruments must mainly take place with regard to increasing the performance without this use causing any deviation from the stated investment objectives of the Sub-Fund or any change to the fundamental character of the Sub-Fund's investment policy.

### 4.2. Options

An option is the right to buy (in the case of "call" options) or sell (in the case of "put" options) a certain asset at a specified price and within a specified time period or at a certain point in time in the future. The Company may buy or sell call or put options for securities or other permissible assets for a Sub-Fund, provided that these options are traded on a Regulated Market. The Company may buy and sell options over the counter ("OTC Options") for a Sub-Fund, provided that the business partners of the Company in this case are first-class financial institutions that are specialised in such transactions and are market participants in the OTC market.

The Company must observe the following rules in this connection:

- (i) The total sum of option premiums paid in the acquisition of call and put options must not exceed 15% of the net assets of the particular Sub-Fund.
- (ii) The total obligations arising from the sale of call and put options (with the exception of the sale of call options for which an appropriate cover is present) and the total obligations arising from the transactions listed under 4.3. must not at any time exceed the net assets of the particular Sub-Fund. In this connection, the obligations entered into from the sale of call and put options correspond to the total sum of prices applicable when this option is exercised.
- (iii) If call options are bought for the assets of a Sub-Fund, the particular Sub-Fund must hold the underlying securities, matching call options or other instruments (e.g. warrants) as sufficient cover. The securities held as cover for sold call options cannot be disposed of throughout the term of the option unless a matching cover is present in the form of options of other instruments that serve the same purpose. Notwithstanding the above regulation, the Company may sell call

options for a Sub-Fund if it is able to provide adequate cover for the assumed sales positions and if the strike price of these uncovered call options does not exceed 25% of the net assets of the particular Sub-Fund.

- (iv) If put options are sold, matching cover must be provided in the assets of the particular Sub-Fund throughout the term of the options, either in the form of adequate cash or through other liquid debt instruments from first-class issuers that enable the Sub-Fund to ensure payment for the securities that are to be delivered by the counterparty when the options are exercised.

#### 4.3. Financial-futures contracts

Financial-futures contracts (“Financial Futures”) refers in this context to trade with contracts relating to the future value of securities or other financial instruments. With the exception of interest-rate swaps and interest-rate options in the context of over-the-counter agreements, financial futures transactions are only permitted on a Regulated Market. In accordance with the provisions given below, such transactions can be performed for hedging purposes and for other purposes.

##### (i) Hedging transactions

“Hedging” means securing a known, future obligation.

- 1) Futures contracts relating to stock exchange indices can be sold as global hedging against the risk of unfavourable price developments. For the same purpose, call options relating to stock exchange indices can also be sold or put options relating to stock exchange indices can be bought. The aim of these hedging transactions is based on the assumption that there is a sufficient correlation between the composition of the particular deployed indices and the managed positions of securities or financial instruments.

The total obligation arising from futures contracts and options relating to stock exchange indices must not exceed the market value of the securities or financial instruments held for the particular Sub-Fund on the market corresponding to this index.

- 2) Futures contracts on interest rates can be sold for a Sub-Fund as global hedging against interest-rate fluctuations. For the same purpose, call options relating to interest rates can also be sold or put options relating to interest rates can be bought and interest-rate swaps can be effected. Interest-rate options in connection with over-the-counter transactions and interest-rate swaps can only be effected with financial institutions with first-class creditworthiness that are specialised in such transactions and that participate in marketable trade with such options or swaps.

The total obligations arising from financial-futures contracts, option contracts and interest-rate swaps must not exceed the value of the assets and liabilities of the particular Sub-Fund to be hedged in the currency of these contracts.

##### (ii) Investment positions

Investment positions are based on the forecast future performance on the financial markets. In this connection and with the exception of option contracts on securities (cf. 4.2 above) and currency contracts (cf. 4.6. below), future contracts and option contracts relating to all financial instruments can be bought and sold for purposes beyond hedging transactions, insofar as the total obligations arising from these purchases and sales, including the entire obligations arising from the disposal of call and put options on securities or financial instruments, do not at any time exceed the net assets of the particular Sub-Fund.

Sales of call options on securities or financial instruments for which adequate cover is present are not to be included in the calculation of said total obligations.

In this connection, the following definition applies for the obligations arising from transactions that are not connected to options on securities or financial instruments:

- The obligations arising from futures contracts correspond to the liquidation value of the net position of contracts in connection with the identical financial instruments (after balancing of the long and short positions), with the particular due dates not taken into account, and

- the obligations in connection with the bought and sold options correspond to the total of prices applicable when these options are exercised in accordance with the net short position in connection with the same underlying asset, with the particular due dates not taken into account.

#### 4.4. Securities loans

Securities loans can be used to achieve additional income for the fund.

The fund may only lend securities within a standardised system that has been organised by a recognised clearing institution or by a first-class financial institution that specialises in such transactions or a standard framework contract. In these transactions, the stipulations of circulars CSSF 08/356, CSSF 11/512 and CSSF 14/592 are observed.

The contracting parties of the securities loan must be resident in a Member State of the European Union or in another state that is a signatory to the Agreement on the European Economic Area, the United States of America, Canada, Hong Kong, Japan, New Zealand or another Third-Party State with equivalent banking supervision.

Income arising from the use of securities loan transactions and repurchase agreements should fundamentally be allocated to the fund's assets—less direct or indirect operational costs. The Management Company may charge a remuneration for such transactions in accordance with section 21.2, "Costs," item 13. Any costs shall be borne by the Management Company from the remuneration to which it is entitled for these transactions.

#### 4.5. Repurchase agreements

The Company can from time to time participate in repurchase agreements for a Sub-Fund that consist of purchases and sales of securities with agreements that oblige buyer and seller to resell/repurchase the sold securities at a price and within a time limit agreed upon between the two parties when the contract is concluded.

The Company may act as either buyer or seller in repurchase agreements. Participation in such transactions is however subject to the following guidelines:

- (i) Securities must only be bought or sold via a repurchase agreement if the counterparty is a first-class financial institution that has specialised in transactions of this type.
- (ii) During the term of a repurchase agreement, the securities received under the agreement must not be disposed of before the right to repurchase these securities has been exercised or before the repurchasing deadline has expired.
- (iii) It must also be ensured that the scope of the involvement in repurchase agreements is structured such that the particular Sub-Fund is able to meet its obligation to repurchase its Units at any time.

In the event of a repurchase agreement transaction relating to the purchase of securities, the Sub-Fund must ensure that it can reclaim the entire sum of money at any time or end the agreement either at the total accumulated sum or at a mark-to-market value, whereby a maximum time limit of seven days is deemed agreed upon for the Sub-Funds to reclaim the assets at any time.

In the event of a repurchase agreement transaction relating to the sale of securities, the Sub-Fund must ensure that it can at any time reclaim the securities underlying the agreement or end the agreement, whereby a maximum time limit of seven days is deemed agreed upon for the Sub-Fund to reclaim the assets at any time.

#### 4.6. Credit default swaps

The Company may enter into credit default swaps for a Sub-Fund. A credit default swap is a bilateral financial agreement involving a counterparty (the protection buyer) paying a regular fee as consideration for a contingent payment made by the protection seller following a credit event of a reference issuer. The protection buyer must either sell certain bonds issued by the reference issuer at their par value (or at another designated reference or exercise price) when a credit event occurs or receive a cash settlement on the basis of the difference between the market price and such a reference or exercise price. The credit default swaps to be concluded are revalued daily on this basis in accordance with the current stock exchange price. A

credit event is normally defined as bankruptcy, insolvency, receivership, significantly disadvantageous debt restructuring or failure to fulfil due payment obligations. The International Swaps and Derivatives Association (“ISDA”) has created a standard document for these transactions as part of its ISDA framework agreement.

- (i) The Company may enter into credit default swaps for a Sub-Fund as protection buyer to hedge against special credit risks of some of the issuers in its portfolio.
- (ii) Insofar as this is in the exclusive interest of its unit certificate holders, the Company may also invest in credit default swaps for a Sub-Fund as protection buyer to acquire a special credit risk.
- (iii) The Company will conclude transactions with credit default swaps exclusively with financial institutions rated as first class that are specialised in such transactions and only in compliance with the standard conditions specified by the ISDA. Moreover, the use of credit default swaps must comply with the investment objectives and strategies and the risk profile of the Sub-Fund in question.
- (iv) The Company will ensure that it has at all times the required assets to pay the repayment proceeds arising from redemption claims and to meet its obligations arising from credit default swaps and other techniques and instruments.

#### **4.7. Hedging currency translation risks and efficient currency management**

To protect the current and future assets and liabilities from exchange rate fluctuations and to provide efficient currency management, the Company may effect transactions for the Sub-Fund based on the purchase and sale of forward exchange contracts/the purchase and sale of currency options.

With the same objective, the Company may for a Sub-Fund buy or sell currencies forward or effect currency swap transactions in connection with over-the-counter agreements with first-class financial institutions that have specialised in transactions of this type.

The objective of cover pursued with the above-mentioned transactions is fundamentally subject to a direct correlation between the planned transaction and the assets and liabilities to be protected. This means that transactions in a particular currency must in principle not exceed the total value of these assets held and liabilities entered into in the Sub-Fund’s assets and, with regard to their term, must not exceed the period for which the particular assets are held or are expected to be acquired or for which the particular liabilities were entered into or are expected to be entered into. The hedge can be denominated in a different currency than that of the hedged assets, insofar as this other currency substantially correlates to the currency in which the hedged assets are denominated (“Cross-Currency Hedging”). This may in particular become necessary if the currency in which the assets to be hedged are denominated is not sufficiently marketable to represent a direct hedge in this currency or if suitable hedging techniques and instruments are not available in this currency.

#### **Additional notes regarding currency hedging in Share classes**

If a currency hedge is carried out at share class level, this is done while taking into account the opinion published by the European Securities and Markets Authority (ESMA) on 30 January 2017 in relation to share classes in UCITS (ESMA34-43-296) and reference is made to the relevant appendix to this sales prospectus.

The Share class(es) are then denominated in a currency different to that of the Sub-Fund. The change in the particular exchange rate can result in currency translation losses but also in currency translation gains for the Unit-Holders in the Share class. In the course of currency hedging, the exchange rate risk regarding the Sub-Fund currency vis-à-vis the Share class currency is extensively hedged. This hedging can be achieved by deploying various instruments (such as forward exchange transactions). Unit-Holders wishing to invest in a currency-hedged Share class should be aware that a currency hedging process is not able to provide precise or complete hedging of said exchange rate risk. In particular, severe market distortions or larger unit certificate movements have effects on the currency hedging. Therefore, no guarantee can be given that the hedging will be successful in all aspects. Further information on the Share classes is available in the corresponding annex of this sales prospectus.

#### 4.8. Collateral and reinvestments of collateral

In connection with derivate OTC transactions and techniques for efficient portfolio management, the Company may receive collateral in connection with the strategy set out in this section to reduce the counterparty risk. The following section specifies the procedure used by the Company for the particular Sub-Fund for managing the collateral.

##### Permissible types of collateral

For OTC Derivatives that are processed via a central counterparty and for exchange traded Derivatives and for securities loan transactions that are concluded via a standardised system, the collateral is based on the rules of the central counterparty, the stock exchange or the system operator.

For OTC Derivatives that are not processed via a central counterparty and for securities loan transactions that are not concluded via a standardised system, the Company agrees with the counterparties rules for collateralising the fund's receivables. The Company has set out the fundamental requirements for collateral in a Collateral Policy in observance of the legal and supervisory requirements, including CSSF ordinance 10-4, CSSF circular 11/512, CSSF circular 08/356, the CESR Guidelines on Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS (CESR/10-788) and CSSF circular 14/592 in conjunction with the ESMA Guidelines on ETFs and other UCITS issues (ESMA/2014/937).

The collateral that the fund receives may be effected in liquid assets (including cash and bank deposits) or by transfer or pledging of bonds, in particular government bonds, or investment units. The collateral may also take the form of stocks. The stocks issued as collateral must be listed or traded on a Regulated Market in a Member State of the European Union or a stock exchange in a member state of the OECD and included in a major index.

##### Scope of the collateral

The Company will specify on behalf of the particular Sub-Fund, within the limits set out in the sales prospectus, the required scope for the collateral for derivative OTC transactions and techniques for efficient portfolio management depending on the nature and the characteristics of the transactions performed, the creditworthiness and identity of the counterparties and the particular market conditions.

The Sub-Fund must receive a guarantee corresponding to the requirements before or at the same time as the transfer of the loaned securities. At the end of the security loan agreement, the guarantee is retransferred at the same time or after the return of the loaned securities.

Within the framework of a standardised securities loan system that is organised by a recognised securities clearing institute or a securities loan system that is subject to supervisory regulations that the CSSF deems equivalent to the regulations set down in Community law and that is specialised in such transactions, the loaned securities can also be transferred before the guarantee is received if the intermediary in question guarantees successful performance of the transaction. The intermediary in question can issue a guarantee that meets the requirements in place of the borrower.

For each concluded securities lending transaction, the Company must ensure on behalf of the particular Sub-Fund that the particular Sub-Fund receives a guarantee with a value that corresponds to at least 90% of the total value of the loaned securities across the entire term of the loan agreement (including interest, dividends and any other claims.)

##### Strategy for valuation discounts/haircut strategy

Received collateral is valued every trading day. Valuation discounts (haircuts) are deducted from the collateral that vary depending on the type of securities, the creditworthiness of the issuers and possible the maturity. The haircuts for the listed categories are as follows:

- Bank deposits	0%
- Debt instruments or claims, with fixed or variable interest rates	0.25% - 30%
- Stocks and other equities	5% - 40%

- Stocks or units in UCIs (UCITS) 10% - 50%

Furthermore, an additional value deduction of up to 10 percentage points can be applied for collateral in a currency different to that of the fund currency.

In particular market situations (e.g. market turbulence) the Management Company may deviate from the stated values.

#### **Diversification of collateral**

For the collateral, appropriate diversification must be observed in relation to countries, markets and issuers. The criterion of appropriate diversification with regard to the issuer concentration is deemed fulfilled if the particular Sub-Fund receives a collateral basket from a counterparty in the case of efficient portfolio management or transactions with OTC Derivatives whereby the maximum exposure vis-à-vis a particular issuer corresponds to 20% of the net asset value. If a Sub-Fund has various counterparties, the various collateral baskets are aggregated to calculate the 20% limit for the exposure vis-à-vis a single issuer.

By way of derogation from this sub-item, each Sub-Fund can be collateralised completely by various securities and Money Market Instruments that are issued or guaranteed by a member state, one or more of its regional authorities, and Third-Party State or an international public-sector institute with which one or more Member States is affiliated. The collateral basket should hold securities that are issued in connection with at least six different issuers, with the securities from one single issue not exceeding 30% of the net asset value of the UCITS. This collateral mainly involves securities issued by states in Europe, Asia, Australia (including Oceania), America and/or Africa or by international public-sector institutes that have their registered office there.

#### **Custodianship of collateral**

Collateral effected in cash may expose each Sub-Fund to a credit risk with regard to the custodian of this collateral. If such a risk applies, the particular Sub-Fund must take this into account at the level of the deposit limits of article 43(1) of the law of 2010. This collateral must fundamentally not be kept in custody by the counterparty except where the collateral is legally protected from the effects of default of the counterparty.

Collateral effected in forms other than cash must not be kept in custody by the counterparty except where the collateral is kept separate from the counterparty's assets in an appropriate way.

It must be ensured that the particular Sub-Fund is able to assert its rights to the collateral in the event of a situation that makes it necessary to realise the collateral. The collateral must therefore be available at all times either directly or immediately via a first-class financial institution or a 100% subsidiary of thereof, such that the particular Sub-Fund can immediately take possession of or realise the assets issued as collateral if the counterparty fails to meet its obligation to return.

#### **Reinvestments of collateral**

- Non-cash collateral

Non-cash collateral received by the Company for the particular Sub-Fund must not be disposed of, reinvested or pledged.

- Cash collateral

Cash collateral received by the Company for the particular Sub-Fund must only be reinvested in liquid assets approved under the regulations of Luxembourg law, in particular the ESMA guidelines 2014/937 that were implemented by the CSSF circular 14/592. This means that received cash collateral may only:

- be invested as sight deposits with legal entities in accordance with article 50 (1) subparagraph f) of the UCITS Directive;
- be invested in government bonds of high quality;
- be used for reverse repo transactions, provided that this involves transactions with credit institutions that are subject to supervision and the particular Sub-Fund can reclaim the entire accumulated sum of money at any time;

- be invested in money market funds with short term structure as defined in CESR's Guidelines on a common definition of European money market funds.

Newly invested cash collateral should be diversified in accordance with the diversification requirements for non-cash collateral.

## 5. Risk management procedure

The Management Company deploys for the Company and for each Sub-Fund a risk management procedure in accordance with the Law of 2010, and other applicable regulations, in particular CSSF circular 11/512. This risk management procedure allows the Management Company to monitor and measure at any time the risk associated with the investment positions and their particular share in the overall risk profile of the investment portfolio. In connection with the risk management procedure, the overall risk of all Sub-Funds is measured and controlled by the commitment approach.

The overall risk is determined with regard to the positions in derivative financial instruments (including those embedded in securities or Money Market Instruments). In this approach, the positions in derivative financial instruments are converted into corresponding positions in the underlying assets.

The Management Company regularly notifies the CSSF of the type of Derivatives in the portfolio, the risks involved in the corresponding underlying assets, the investment limits and the methods used to measure the risks involved in the derivative transactions with regard to each managed fund.

On request, investors can obtain additional information on the risk management procedure from the Management Company.

## 6. The Company

### 6.1. General information on the Company

The Company is a joint-stock company (*société anonyme*) under Luxembourg law in accordance with currently valid version of the law of the Grand Duchy of Luxembourg of August 10, 1915 (the "Law of August 10, 1915") and is organised in accordance with part I of the law of the Grand Duchy of Luxembourg of 2010, as an undertaking for collective investment in transferable securities in the form of a "société d'investissement à capital variable" (SICAV). The Company's registered office is 2, rue Gabriel Lippmann, L-5365 Luxembourg, Grand Duchy of Luxembourg.

The Company was established on October 30, 2001, for an unlimited period with initial capital of EUR 36,000 in the form of 360 no par stocks. In accordance with the Law of 2010, the minimum capital of the Company corresponds to EUR 1,250,000 (one million two hundred and fifty thousand euros), which must be submitted within six months from the date of the Company being registered as an Undertaking for Collective Investment in the Grand Duchy of Luxembourg.

The capital of the Company corresponds at all times to the net asset value of all Sub-Funds/Share classes of the Company and is expressed in euros (the "Consolidation Currency").

The Company is registered under the number R.C.S. Luxemburg B-84227 at the Luxembourg Commercial and Companies Register where copies of the instruments of incorporation can be viewed and where they are available on request. The Company's instruments of incorporation were most recently changed on April 6, 2018, and a notification of the depositing of the changed instruments of incorporation at the Luxembourg Commercial and Companies Register was published in *Réceuil électronique des Sociétés et Associations* ("RESA"), the Official Journal of the Grand Duchy of Luxembourg.

With regard to third parties and in the relations between the Unit-Holders, each Sub-Fund is deemed to be a separate entity. Each Sub-Fund is liable in this regard exclusively for its own liabilities that are allocated to it in the net asset value calculation.

The Company is managed under the supervision of the Company's board of directors in the interests of the Unit-Holders. The members of the Company's board of directors are listed in the section "Management and administration." Information on the compilation and publication of the Company's annual and semi-annual reports is given in section 26, "Financial year and reporting."

## 6.2. General meeting—dissolution and merger of the Company

If the Company's capital should fall below two thirds of the legally prescribed minimum capital, the Company's board of directors is obliged to submit to a general meeting of the Unit-Holders, which must be convened within 40 days, the question of dissolving the Company. The general meeting resolves without a quorum the question of dissolution with a simple majority of present or represented Units.

If the Company's capital should fall below one quarter of the legally prescribed minimum capital, the Company's board of directors is equally obliged to submit at a general meeting of the Unit-Holders the question of dissolving the Company. The dissolution can then be resolved without a quorum by one quarter of the votes of the Unit-Holders present or represented at the general meeting.

The Company can be liquidated with the agreement of the Unit-Holders. The entity commissioned with performing the liquidation can be authorised to transfer all assets and liabilities of the Company to a Luxembourg undertaking for collective investment against the issue of units to the receiving company in proportion to the units of the liquidated company. Other than this, any liquidation of the Company is performed in compliance the Luxembourg law. The distribution of moneys becoming available for distribution to the Unit-Holders in the course of the liquidation is performed proportionally.

The dissolution is published in accordance with the legal regulations on the RESA information platform of the Commercial and Companies Register in Luxembourg and in at least two daily newspapers with sufficiently large circulation, one of which being a Luxembourg newspaper.

The Company can also resolve to merge the Company with another Luxembourg undertaking for collective investment insofar as the Company's board of directors passes a resolution for the merger and the Company's Unit-Holders agree to a merger with the required quorum and majority requirements for a change to the instruments of incorporation.

The affected Unit-Holders may request, during the minimum period of one month from the date of the corresponding notification of the Unit-Holders, which must take place at least one month before the above-mentioned general meeting, that some or all of their Units be redeemed free of charge or converted free of charge at the applicable Net Asset Value per Unit.

The liquidation proceeds/the proceeds arising from the Units not claimed by Unit-Holders following conclusion of the liquidation/merger of the Company are deposited with the *Caisse des Consignations* in Luxembourg in accordance with article 146 of the Law of 2010, where they lapse after 30 years.

Furthermore, the Company's board of directors may, in various cases as stated in section 19, "Closure and merger of a Sub-Fund," resolve to merge or close one or more of the Company's Sub-Funds or perform a merger with another Luxembourg undertaking for collective investment.

## 7. Management company

The Company has appointed the management company Falcon Fund Management (Luxembourg) S.A. (the "Management Company") as management company for the Company by concluding the Management Company Services Agreement. Under the terms of this agreement, the Management Company performs the investment management, central administration and distribution for the Company. The Management Company Services Agreement was concluded for an unlimited period and can be terminated in writing by any contracting party with effect at the end of a calendar month, subject to three months' notice. The liability of the Company remains unaffected by the transfer of said functions to the Management Company.

The Management Company is a joint-stock company (*société anonyme*) that is organised in accordance with the currently valid version of the Law of August 10, 1915, and permitted as a management company in accordance with section 15 of the Law 2010. The Management Company was established on October 10, 1988, under Luxembourg law under the name UBZ International Trust Management, Société Anonyme, for an unlimited period and is registered in the commercial register under the number R.C.S. Luxembourg B 28918. Its registered office is located at 2, rue Gabriel Lippmann, L-5365 Munsbach. The Management Company's instruments of incorporation were most recently changed on April 10, 2018, and a notification of the depositing of the changed instruments of incorporation was published in RESA. Its equity as of December 31, 2017, amounts to EUR 411,000.

The purpose of the company covers the management of undertakings for collective investment in accordance with the Law of 2010 and of specialised investment funds in accordance with the law of February 13, 2007, as amended (the “Law of 2007”) as well as of reserved alternative investment funds in accordance with the law of July, 23 2016, as amended (the “Law of 2016”). The activity of the collective portfolio management of UCITS, UCIs or SIFs covers the tasks pursuant to annex II of the Law of 2010. The company may perform some or all of these activities for UCITS, UCIs and SIFs or other management companies as representative. The company is authorised to perform portfolio management, risk management, administrative activities, distribution and other activities relating to alternative investment funds (“AIFs”), as in articles 1(39) and 4 of Law of 2013 and to perform the tasks listed in annex I of the Law of 2013 as alternative investment fund manager.

The Management Company currently manages further undertakings for collective investment of the Falcon Group in addition to the Company.

In fulfilling its obligations prescribed by the Law 2010, and the Management Company Services Agreement, the Management Company is permitted to transfer some or all of its tasks and functions to third-party service providers, provided that the Management Company retains control over these third-party service providers. The appointment of third-party service providers is subject to agreement from the Company and the CSSF. The Management Company’s liability remains unaffected by the transfer of tasks and functions to third-party service providers.

The Management Company has transferred the portfolio management of the Sub-Funds to various portfolio managers (Solidum Partners AGSprott Asset Management L.P. and Hauck & Aufhäuser Fund Services S.A.) as described in section 11 below, “Investment managers and investment consultants,” the central administration to Hauck & Aufhäuser Fund Services S.A. and distribution to Acolin Europe AG.

The Management Company is obliged to act at all times in the interest of the Company’s Unit-Holders and in compliance with the provisions of the Law 2010, of this prospectus and of the instruments of incorporation of the Company and the Management Company.

For its services, the Management Company receives a monthly remuneration from the Company in accordance with section 21, “Fees, costs and cost distribution.”

### **Remuneration policy**

The Management Company is subject to the supervisory regulations that apply for it with regard to its remuneration system. Furthermore, the remuneration guidelines of the Management Company apply. The remuneration policy and practice of Falcon Fund Management (Luxembourg) S.A. is consistent with and promotes sound and effective risk management. It neither encourages the assumption of risks that are not consistent with the risk profiles, contractual provisions or instruments of incorporation of the funds it manages nor prevents the Company from duly acting in the best interest of the fund. The remuneration policy is in alignment with its business strategy, objectives, values and interests and those of the funds it manages and the investors in these funds and it includes measures to avoid conflicts of interest. There is a reasonable balance between the fixed and variable components of the overall remuneration, with the fixed components representing a sufficient share of the overall remuneration to provide full flexibility in relation to the variable remuneration components, including the option of choosing not to pay a variable component. It includes the remuneration principles (e.g. for structuring variable remuneration), a description of the calculation of the remuneration and the main remuneration parameters. The implementation of the remuneration guideline is intended to allow for the sustainable alignment of the remuneration system while avoiding misguided incentives to take on excessive risks.

The Company’s remuneration system is checked at least once a year for its suitability and compliance with all supervisory guidelines for remuneration.

Additional information on the performance assessment, which can in principle also be performed within a multi-annual framework that is appropriate for the holding duration recommended to the investors of the funds it manages to ensure that the valuation is tailored to the longer-term performance of the fund and its investment risks and that the actual payment of performance-related remuneration components is distributed across the same period, is given in the remuneration policy published on <http://www.falcon.lu>.

Further details on the current remuneration policy are published in the fund’s annual reports on [www.falcon.lu](http://www.falcon.lu). On request, the Company’s remuneration policy will be made available in paper form free of charge.

## 8. Depositary and paying agent

The Company has appointed Hauck & Aufhäuser Privatbankiers AG, Luxembourg branch, based in 1c, rue Gabriel Lippmann, L-5365 Munsbach, the Grand Duchy of Luxembourg, registered in the Luxembourg Commercial and Companies Register under the number B 175937, as depositary of the fund in a written agreement. The depositary is a branch of Hauck & Aufhäuser Privatbankiers AG, Kaiserstr. 24, D-60311 Frankfurt am Main, a fully-licensed German credit institution as defined in the German Banking Act (KWG) and as defined in the Luxembourgian Law of 5 April 1993 on the financial sector (in its most current version). It is registered in the Commercial Register of Frankfurt am Main Local Court under HRB 108617. Both Hauck & Aufhäuser Privatbankiers AG and its Luxembourg branch are supervised by the German Federal Financial Supervisory Authority (BaFin). Additionally, the Luxembourg branch of Hauck & Aufhäuser Privatbankiers AG is subject to the Commission de Surveillance du Secteur Financier (CSSF) regarding liquidity, money laundering and market transparency.

All duties and responsibilities of the depositary are performed by the branch. Its role is defined in particular by the Law 2010, CSSF circular 16/644, the depositary agreement and the sales prospectus. As a paying agent, it is obliged to pay out any distributions and the Redemption Price of redeemed Shares and other payments.

The Depositary shall ensure that the Company's cash flows are subject to effective and proper monitoring. The Depositary shall ensure that all payments made in the case of the subscription to units of the investment fund by unitholders or in the name of unitholders have been received and that all monies belonging to the Fund / Sub-fund are recorded on cash accounts in the name of the Fund / Sub-fund at the Depositary (or another credit institution).

The Depositary will hold in custody or monitor all of the Company's assets. In this respect, the 2010 Law distinguishes between the financial instruments to be held in custody and the other assets; this allocation is not always clear in individual cases.

In some cases, the Depositary is subject to other duties and stricter liability for the custody of financial instruments (e.g. securities, money market instruments, units in undertakings for collective investment) than for the custody of other financial assets. The financial instruments to be held shall be held by the Depositary in segregated securities accounts. Apart from a few exceptional cases, the Depositary will be liable for mislaying these financial instruments, including in cases where this is not caused by the Depositary itself but by a third party. Other assets (that cannot be held in custody), on the other hand, are not stored in securities deposits. After ensuring that they are actually the property of the Special fund, records shall be kept of these assets at the Depositary. The Depositary shall be liable for the completion of these tasks to the Company in the event of gross negligence or intent.

The Depositary may transfer the exercise of its duty of custody of financial instruments and other assets to another company ("Sub-depositary"). The liability of the Depositary to the Company remains unaffected by the commissioning of a Sub-depositary. A list of any Sub-depositaries named will be made available on the website of the Depositary ([https://www.hauck-aufhaeuser.com/fileadmin/Impressum/List\\_of\\_Sub-Custodians\\_Hauck\\_\\_\\_Aufhaeuser.pdf](https://www.hauck-aufhaeuser.com/fileadmin/Impressum/List_of_Sub-Custodians_Hauck___Aufhaeuser.pdf)). In principle, no third party shall be charged with the custody or monitoring of other assets unless expressly agreed otherwise.

When commissioning a Sub-depositary to take custody of financial instruments, the Depositary is in particular obliged to examine whether the Sub-depositary has effective supervision (including minimum capital requirements) and is subject to regular external auditing that ensures that the financial assets are in its possession ("Depositary's due diligence"). These due diligence obligations must also be observed in relation to any legal entity that falls below the Sub-depositary or third-party depositary in the custody chain (known as the "Correspondent").

The Depositary must also ensure that each Sub-depositary separates the assets of the Depositary's customers which are subject to joint administration, from its own assets and the other assets of the Depositary, in this case in particular its own assets and the assets of the Depositary's customers which are not subject to joint administration.

Moreover, for financial instruments, if the law of a third state requires that specific financial instruments must be held by a local office that does not meet the above supervision requirement ("Local Depositary"), the Depositary can nevertheless only commission this Local Depositary subject to compliance with the following statutory provisions.

On the one hand, there must not be any Local Depositary that does meet the aforementioned monitoring requirements.

Furthermore, the transfer of custody of financial instruments to a Local Depository may only take place on the express instruction of the Company.

In addition, before the commissioning of such a Local Depository, the Company shall inform the investors in the proper form.

No conflicts of interest were announced to the Management Company by the depository in relation to the subcustodianship.

The Depository is bound by instructions from the Company, unless these are contrary to the law, the Articles of Association or the relevant prospectus of the Company.

In the performance of its duties, the depository acts independently, honestly, reputably and professionally, in the interest of the investment company and its Unit-Holders. This obligation is particularly reflected in the duty to perform and organise the depository activities such that potential conflicts of interest are largely minimised. The depository performs, in relation to the investment company or to the Management Company acting for the investment company, no tasks that could create conflicts of interest between the investment company, the Company's Unit-Holders, the Management Company and itself, except where the performance of depository activities is functionally and hierarchically kept separate from the activities that may potentially conflict with them and the potential conflicts of interest are properly identified, managed and monitored, and disclosed to the Company's Unit-Holders.

The tasks of the Management Company and those of the depository must not be performed by one single enterprise.

Potential conflicts of interest could arise if the depository transfers individual depository tasks or the subcustodian activities to a further outsourcing company. If this further outsourcing company is a company that is affiliated with the Management Company or the depository (e.g. parent company), this may result in potential conflicts of interest in the interactions between this outsourcing company and the Management Company or depository (e.g. the Management Company or depository could give preference to a company affiliated with it over other comparable providers when awarding depository tasks or selecting the Subcustodian). Should such a conflict of interest or any other conflict of interest be identified in the future in connection with the subcustodianship, the depository will disclose the particular circumstances and the measures taken to prevent or minimise the conflict of interest in the document that can be accessed via the link given above.

Equally, conflicts of interest may arise if the depository performs administrative tasks pursuant to the second indent of annex II of the Law of 2010, such as tasks of the registration and transfer agent or fund accounting. To manage these potential conflicts of interest, the particular task area is kept divisionally separate from the depository role.

The Management Company and the depository are able to take appropriate and effective measures (such as procedural instructions or organisational measures) to ensure that potential conflicts of interest are largely minimised. If conflicts of interest cannot be avoided, the Management Company and the depository will identify, manage, monitor and disclose these conflicts to prevent any harm to the investors' interests. Compliance with these measures is monitored by an independent compliance function.

The depository has disclosed to the Management Company the above-mentioned information relating to conflicts of interest relating to the subcustodianship. The Management Company has checked the information for plausibility. The management company is, however, dependent on the depository to provide information and cannot check correctness and completeness in detail. The list of Subcustodians given above may change at any time. Up-to-date information on the depository, its Subcustodians and all the depository's conflicts of interest arising from the transfer of depository activities is available from the Management Company and the depository on request.

The Depository is responsible for the safekeeping of the assets of all Sub-Funds within its depository network.

Any bank deposits held by credit institutions other than the Depository may not be protected by any institution for securing deposits.

## **9. Central administration agent, registration and transfer agent**

The Management company has appointed Hauck & Aufhäuser Fund Services S.A. ("HAFS") with registered office in 1c, rue Gabriel Lippmann, L-5365 Munsbach as central administration agent and registration and transfer agent of the Company. The

central administration agent was incorporated for an unlimited period in the form of a joint-stock company under Luxembourg law on September 27, 1988. It is domiciled in Luxembourg. The instruments of incorporation of the central administration agent were published in Mémorial C, Recueil des Sociétés et Associations in 1988 and are filed in the Commercial and Companies Register. Alterations made since then were published in Mémorial C, Recueil des Sociétés et Associations. Future changes will be disclosed in the Recueil électronique des Sociétés et Associations (“RESA”). The central administration agent has transferred, at its own cost and under its own responsibility and control, the calculation of the net asset value, the Company accounting and reporting to Hauck & Aufhäuser Privatbankiers AG, Luxembourg branch, based in 1c, rue Gabriel Lippmann, L-5365 Munsbach.

The IT administration of the Hauck & Aufhäuser Group is split across the locations of Luxembourg and Germany.

## 10. Auditor

PricewaterhouseCoopers S.C., 2, rue Gerhard Mercator, L-2182 Luxembourg, has been appointed as the Company’s auditor.

## 11. Portfolio managers and investment consultants

The Management Company has appointed as portfolio manager Solidum Partners AG for the Company’s Sub-Funds “Solidum-Falcon Insurance Linked Strategy Fund” and “Solidum-Falcon Insurance Opportunities Fund and ” Sprott Asset Management L.P. for the Sub-Fund “Sprott-Falcon Gold Equity UCITS Fund”. Furthermore, the Management Company has appointed Hauck & Aufhäuser Fund Services S.A. (“HAFS”) as portfolio manager for the hedging of exchange rate risks for currency-hedged Share classes in a foreign currency. In this connection, HAFS will exclusively hedge the exchange rate risk with regard to Sub-Fund to Share class currency.

Solidum Partners AG has the legal structure of a joint-stock company in accordance with Swiss law and was established on September 28, 2004. It has its registered office in CH-8008 Zurich, Othmarstrasse 8, and performs asset management services that are subject to supervision by the Swiss supervisory body FINMA.

Sprott Asset Management L.P. is an asset management company that is subject to control from the Canadian supervisory body “Ontario Securities Commission.” Sprott Asset Management L.P. was established in 2008 and is a 100% subsidiary of Sprott Inc., which is a Toronto Stock Exchange listed company. The registered office of Sprott Asset Management L.P. is in Royal Bank South Tower, 200 Bay Street, Suite 2600, Toronto, Ontario, Canada M5J 2J1.

Hauck & Aufhäuser Fund Services S.A. is a joint-stock company (société anonyme), established under the laws of the Grand Duchy of Luxembourg with registered office in 1c, rue Gabriel Lippmann, L-5365 Munsbach and registered in the Luxembourg commercial register (RCS) under the number B 28878. Hauck & Aufhäuser Fund Services S.A. meets the requirements of a portfolio manager according to the law of 2010 and has been approved by the CSSF and is subject to their supervision.

The Portfolio Managers will manage the assets and the investments and reinvestments of cash assets and other assets of the Sub-Funds allocated to them, under the responsibility, supervision and instruction of the Management Company.

The Portfolio Managers are not authorised to receive monies.

The Portfolio Managers will perform their services in compliance with the investment policy described in this sales prospectus and the investment restrictions of the Company/Sub-Fund.

With the agreement of the Management Company, the Portfolio Managers are authorised to transfer, at their own costs and under their own responsibility, their functions, rights and obligations in whole or in part to one or more specifically qualified persons, companies or enterprises (sub-investment-managers). Details on appointing sub-investment-managers is, where applicable, given in the corresponding prospectus annex for each Sub-Fund.

Moreover, the Portfolio Managers may consult one or more investment consultants, at their own costs and under their own responsibility.

The remuneration of the Portfolio Managers (the “Portfolio Manager Fee”) is effected in accordance with section 21 below, “Fees, costs and cost distribution.”

## 12. Subsidiaries of the Company

The board of directors may resolve that the investments of the Company or its Sub-Funds be performed directly or indirectly via subsidiaries.

In such a case, more detailed information will be provided in the prospectus annexes for each Sub-Fund.

## 13. Description of the units

In general, Units will be issued in certificate-less form, verified by means of a unit confirmation issued when Units are issued or converted, after the Issue Price has been paid to the depository. Ownership of Units is based on the “book entry procedure.”

The physical delivery of certificates is not possible. The unit certificate classes issued to each Sub-Fund is stated for each Sub-Fund in the prospectus annexes.

Each whole Unit entitles the holder to one vote that can be exercised at all general meetings and separate company meetings for the particular Sub-Fund or the particular Share class in person or represented by a proxy in accordance with the provisions of the instruments of incorporation.

The Units do not grant any preferential or subscription rights. They are also not associated with any outstanding options or other special rights, either currently or in the future.

The Company makes the investors aware that individual investors can only fully assert their investor rights directly against the Company, in particular the right to participate in the shareholders meetings, if they themselves are registered in the Company’s shareholder register in their own name. In cases where the investor has invested in the Company via an intermediary agent that undertakes the investment in its own name but on behalf of the investor, it may not be possible for the investor to directly assert all rights against the Company. Investors are advised to inform themselves about their rights.

The Units can be transferred, unless the Company limits the ownership of Units to certain persons (“Limited Eligible Purchaser Group”) in accordance with the Company’s instruments of incorporation.

Private investors may only make investments through nominee banks that subscribe to Units in their own name but on behalf of the particular investor.

## 14. Distribution of the Units

The Management Company has concluded a distribution agreement on the offering and sale of the Company’s Units with effect from October 1, 2016, with ACOLIN Europe AG, Reichenaustrasse 11 a-c, D-78467 Constance, (also the “Main Distribution Agent”). This agreement is concluded for an unlimited period and can be terminated in writing by either contracting party with effect at the end of a quarter, subject to six months’ notice.

The Management Company can also, in accordance with the applicable laws, appoint further distribution agents in addition to the Main Distribution Agent (these agents combined, the “Distribution Agents”) to offer and sell Units in one or more Sub-Funds in certain countries in which the offering and sale of these Units is permissible. Distribution agreements with further Distribution Agents are concluded by the Management Company for an unlimited period and can be terminated in writing by either contracting party, possibly subject to notice period.

The remuneration of the main distribution agent (the “Main Distribution Agent Fee”) is effected in accordance with section 20 below, “Fees, costs and cost distribution.”

The subscription procedure and details on the issuing, redemption and conversion of Units are depicted in section 16, “Issuing, redemption and conversion of Units.”

The Company, the Management Company, the central administration agent and the paying agents and Distribution Agents will always act in accordance with all requirements prescribed by the applicable laws, rules and regulations with regard to combating money laundering.

Investors may be requested to provide additional independent verification of their identity, proof of a permanent address and information on the origin of the financial means that are to be invested. If this information is not provided or documents are not submitted in due time, the allocation of the Units may be delayed or rejected.

The Distribution Agent is obliged to inform the Company of a change to its FATCA categorisation within 90 days of such a change.

## 15. Distribution in connection with financial products

A Distribution Agent is entitled to offer Units in Sub-Funds in connection with regular subscriptions (saving plan) in accordance with the applicable national laws and practices in the distribution country.

In this connection, the Distribution Agent is in particular entitled to:

- offer multiple-year saving plans, indicating the conditions and modalities and the Initial Subscription sum and the recurring subscriptions;
- offer, with regard to sales and conversion fees, more favourable conditions for saving plans than those that apply for the purchase and conversion of Units, in observance of the maximum rates named in this prospectus.

The terms and conditions of such saving plans, in particular the fees, are based on the law of the distribution country and are available for every Distribution Agent and the Unit-Holders have the right to perform subscriptions outside of a saving plan and to terminate the regular subscription without notice. Insofar as saving plans are offered, the sales charge is only charged for the payments that are actually effected.

A Distribution Agent is also entitled to offer Units as investment component for a unit-linked life assurance product, in accordance with the applicable national laws and practices in the distribution country. The legal relationships between the Management Company, the Distribution Agent/insurance company and the Unit-Holders is governed by the life assurance policy and the laws that apply thereto.

## 16. Income utilisation

The Company may specify within each Sub-Fund the issue of Units with right to distributions (“Distribution Units”) and without right to distributions (“Accumulation Units”), whereby these two types represent different Share classes thereof.

In the case of Distribution Units, the ordinary net income and realised price gains can be used for distribution. Moreover, non-realised price gains and other assets can be distributed provided the distribution does not cause the total assets of the Company to drop below the legal minimum limit in accordance with section 6, “The Company.” Claims of the Unit-Holders to distributions that are not asserted within five years after becoming due lapse and are returned to the corresponding Sub-Fund.

Notifications of distributions are published in the Company’s official gazettes (see section 28, “Notifications for the Unit-Holders”). Unit-subscribers must state of the subscription form, insofar as Distribution Units are offered for a Sub-Fund, whether they wish the sum to be distributed to be paid out or reinvested. In the case of cash payment, the bank details for the account to which the distribution sum is to be transferred must also be stated. If the Company has not received any instructions from the Unit-Holder regarding the use of distributions, the distribution sums are automatically reinvested.

For Accumulation Units no distributions are performed; the ordinary net income and realised price gains are invested in the corresponding Sub-Fund in favour of the Unit-Holder.

## 17. Issuing, redemption and conversion of Units

### 17.1. Issue of Units

Once the initial issue deadline has expired, the Units of a Sub-Fund are offered for sale and issued on each Valuation Day and at the Issue Price corresponding to the Valuation Day. The Company may adopt additional provisions for the issue of Units in the prospectus annexes for each Sub-Fund, such as specifying minimum sums for initial investments or Follow-On Subscriptions. There is no maximum sum limitation in relation to the investment sum.

The Company is also permitted to enable regular monthly, quarterly, semi-annual or annual subscription of Units (saving plan) for a Sub-Fund. Such saving plans, where offered for a Sub-Fund, are debited by the Company directly from the Unit-Holders account via direct debit in accordance with the details agreed upon with the Unit-Holder regarding sum and regularity and can be cancelled by the Company or by the investor in writing at any time, without any notice period. Unit-holders that subscribe to Units via saving plans may make investments outside of the saving plan agreed upon with the Company at any time.

Subscription applications can be directed either to one of the Distribution Agents that will forward them to the Management Company or directly to the Management Company or the Company in Luxembourg. Applicants must instruct their bank to transfer the due sum to the depositary's account stated in the subscription form, specifying the precise identities of the applicant(s), their date of birth and address, the relevant Sub-Fund(s), whose Units are to be subscribed to and (where applicable) within a Sub-Fund, which Units are subscribed to.

The Units are issued at an Issue Price that is based on the particular Net Asset Value per Unit on the applicable Valuation Day, less any applicable sales charge in favour of the Distribution Agents. Such a sales charge may represent up to 5.00% of the particular Net Asset Value per Unit and is added to this value, whereby comparable orders within a Sub-Fund on one and the same day may also be charged with the same sales charge percentage rate.

Unless otherwise stipulated in the sales prospectus annexes, the issue of Units is performed after the subscription application has been received by the Management Company or the Company that then forwards the particular application to the registration and transfer agent. If subscription applications are received by the registration and transfer agent by the Cut-Off Time stated for each Sub-Fund in the prospectus annexes, the Units are issued at the Issue Price of the next Valuation Day. If subscription applications are received by the registration and transfer agent later, the Units are issued at the Issue Price of the second following Valuation Day. The Issue Price is to be paid to the depositary within three Bank Working Days after the relevant Valuation Day, unless otherwise stipulated in the prospectus annexes. If the Issue Price is not paid to the depositary in due time, a subscription application may lapse and be cancelled at the expense of the applicant or the applicant's financial intermediary.

The Management Company furthermore reserves the right to reject subscriptions in whole or in part without providing justification. In this case, payments already made or credit will be transferred back to the applicant at the applicant's risk without delay.

In addition, the Management Company reserves the right to accept lower subscription applications, provided that minimum subscription amounts are specified in the annexes to the individual Sub-Funds.

The Company must not issue Units to U.S. Persons, non-participating financial institutions or passive foreign companies with one or more U.S. owners in accordance with FATCA and IGA.

Furthermore, investors are expressly forbidden to sell or otherwise transfer Units to U.S. Persons, non-participating financial institutions or passive foreign companies with one or more U.S. owners.

Should such an investor prove to be a U.S. Person, non-participating financial institution or passive foreign company with one or more U.S. owners, the Company may reclaim any taxes or penalties incurred through failure to comply with FATCA and IGA. Furthermore, the Company may repurchase the Units at its own discretion.

In accordance with the applicable laws, the Management Company is at any time entitled to issue fully paid Units against contributions in kind, provided that these material assets correspond to the investment restrictions of the Sub-Fund or Sub-

Funds in question. The value of such material assets is specified by the Company's auditor on the basis of a special audit report and in compliance with the principles that are applied for the calculation of the net asset value for the Company's assets.

### Example calculation

An example calculation for determining the Issue Price for a Sub-Fund is given below:

Net assets (net asset value)	EUR	25,000,000.00
: Number of Units in circulation on the reporting date Qty.	250,000.00	
-----		
= Net Asset Value per Unit	EUR	100.00
+ sales charge, e.g. 3%	EUR	3.00
-----		
= Issue Price	EUR	103.00

### 17.2.Redemption of Units

After the initial issue deadline has expired, each Unit-Holder may on any Valuation Day make a written application for partial or complete redemption of the Units that the Unit-Holder holds in a Sub-Fund. Such an application for the redemption of Units may be submitted by the Unit-Holder either directly to the Management Company or the Company in Luxembourg or via a Distribution Agent that then forwards the application to the registration and transfer agent.

The Company may for each Sub-Fund limit the principle of free redemption of Units or further specify these redemption options, such as by charging a redemption fee and specifying a minimum sum that the Unit-Holder must hold in a Sub-Fund. If a Unit-Holder drops below such a minimum sum by submitting an application for partial redemption of the Unit-Holder's Units, the Company may at its own discretion effect the simultaneous redemption of the remaining Units still held in a Sub-Fund by the Unit-Holder.

The Company may furthermore impose limits on persons that in the opinion of the Company's board of directors acquire or own Units under such circumstances that entail a tax obligation for the Company or that create some other disadvantage for the Company that it would otherwise not have experienced. In particular, the Company may prohibit the acquisition or the ownership of Units in the Company by (i) any U.S. citizen covered by the application are of FATCA, (ii) persons who fail to provide to the Company the information requested by the Company that is required to comply with the regulations of FATCA and other legal and supervisory U.S. stipulations or (iii) any person that could expose the Company to financial risks. The Company is authorised to withdraw shares that are held by said persons, even against their will.

Further information on the redemption conditions for Units is given in the prospectus annexes for each Sub-Fund.

An application for the redemption of Units must always contain information on (a) the identity and exact address of the applicant and (b) the details for the account to which the Redemption Price is to be transferred. An application for redemption issued in an orderly way (a "Redemption Application") is irrevocable except in the event of and during a suspension and/or postponement of the redemption of Units.

The price for each Unit offered for redemption (the "Redemption Price") corresponds to the Net Asset Value per Unit applicable for the particular Sub-Fund on the particular Valuation Day, less any applicable redemption fee as specified in the prospectus annexes for each Sub-Fund. Such a redemption fee can be up to 0.50% of the applicable Net Asset Value per Unit.

Redemption applications that are received by the registration and transfer agent by the Cut-Off Time stated for each Sub-Fund in the prospectus annexes are generally settled at the Redemption Price that applies on the next Valuation Day. Redemption applications that are received by the registration and transfer agent later are settled at the Redemption Price of the second following Valuation Day (further information is given in the prospectus annexes). Redemption applications within a Sub-Fund or a Share class are charged on one and the same Valuation Day with the same percentage rate of the redemption fee.

In the case of a suspension of the calculation of the net asset value or a postponement of the redemption of Units of a Sub-Fund, Units for which redemption has been applied for are redeemed on the next Valuation Day after the suspension of the net asset value calculation has expired or after the redemption postponement has ended at the net asset value that is then calculated, unless the redemption application has been withdrawn in writing before then.

Payments are made in the currency of the Sub-Fund in question (also "Reference Currency") within three Bank Working Days in Luxembourg after the particular Valuation Day, unless otherwise stipulated in the annexes to the prospectus; the deadline must not however exceed five Bank Working Days. The Management Company will ensure in conjunction with the Portfolio Managers that sufficient liquidity is available at all times to guarantee the payment of the redemption price under normal conditions.

The Management Company is furthermore entitled to effect significant redemptions, including those in the course of conversion applications, that cannot be effected from liquid assets only after the corresponding assets of the particular Sub-Fund have been sold without delay, whereby the redemptions are performed at the Net Asset Value per Unit of the Valuation Day on which the sale was performed.

All redeemed Units are annulled.

### 17.3. Conversion of Units

Each Unit-Holder can fundamentally apply for the full or partial conversion of the Unit-Holder's Units into Units of another Sub-Fund and, where various Share classes have been issued, within a Sub-Fund in accordance with the conversion formula below and in line with the principles specified by the Company for each Sub-Fund.

The Company may for each Sub-Fund limit or prohibit the principle of free conversion of Units or further specify these conversion options, such as by limiting conversion applications, limiting their frequency or specifying a minimum sum that the Unit-Holder must hold in a Sub-Fund. If a Unit-Holder drops below such a minimum sum by submitting an application for partial conversion of the Unit-Holder's Units, the Management Company may at its own discretion effect the simultaneous conversion of the remaining Units still held in a Sub-Fund by the Unit-Holder. In this context, applications for the conversion of Units must be exclusively submitted to the registration and transfer agent as sum orders.

Further information on the conversion conditions for Units is given in the prospectus annexes for each Sub-Fund.

The price for each Unit offered for conversion corresponds to the Net Asset Value per Unit applicable for the particular Sub-Fund on the particular Valuation Day. No conversion fee is charged.

Units can be converted on any Valuation Day shared by the originally held Sub-Fund and the desired Sub-Fund. Conversion applications received by the Management Company by the time as specified for each Sub-Fund in the prospectus annexes on such a joint Valuation Day are settled on the basis of the Net Asset Value per Unit that applies on the next Valuation Day for the Sub-Fund in question. Conversion applications received later are settled at the conditions of the second following joint Valuation Day.

An application for the conversion of Units must be made in writing and may be submitted by the Unit-Holder either directly to the Management Company or the Company in Luxembourg or via a Distribution Agent. The application must always contain information on (a) the number of Units in the originally held Sub-Fund (the "Old Sub-Fund") and the desired Sub-Fund (the "New Sub-Fund") and (b) the value ratio that is to be used as a basis for the allocation of the Units in the New Sub-Fund, where more than one desired New Sub-Fund is provided for. If unit certificates were issued to the Unit-Holder, these must be enclosed with the conversion application along with the valid coupon sheet. An application for conversion issued in such an orderly way (a "Conversion Application") is irrevocable except in the event of and during a suspension and/or postponement of the redemption of Units.

### 17.4. Limitations for subscriptions or regroupings in sub-funds

New subscriptions or regroupings in a Sub-Fund can be rejected or limited ("re-alloted") if this is necessary in the opinion of the Company or the Management Company to protect the interests of the Fund or the existing Unit-Holders. Without limitation to the circumstances under which this may be appropriate, such circumstances include a Sub-Fund reaching such a size that

the capacity of the market has in the view of the Company or the Management Company been reached or management of the Sub-Fund has become difficult or impossible, and/or further cash inflows would excessively impair the Sub-Fund's performance. No prior notification to the Unit-Holders is required for a limitation of subscriptions or regroupings. Subscriptions or regroupings will be performed again once the circumstances that made the rejection or limitation necessary or be deemed appropriate no longer apply. No prior notification to the Unit-Holders is required for a resumption of subscriptions or regroupings. Information on limitations, where applied to the particular Sub-Fund, can be requested from the Management Company and the Distribution Agents.

#### **17.5. Prevention of Market Timing and Late Trading practices**

Market Timing and Late Trading practices are not permitted.

Market Timing refers to methods of arbitrage involving the investor systematically subscribing to and redeeming or converting units of one company within a short time frame, exploiting the time differences and the imperfections or weaknesses of the valuation system of the net asset value of a company.

The Management Company reserves the right to reject subscription or conversion applications originating from a potential investor or a Unit-Holder suspected of using such practices and may take the required measures to protect the other Unit-Holders of the Company.

Late Trading refers to the acceptance of a subscription, conversion or redemption application after the deadline for accepting requests ("Cut-Off Time"/"Specified Time") of the day in question and execution of the application in accordance with the net asset value of the day in question.

An investor must in principle subscribe to, redeem or convert Units of the Company at an unknown net asset value.

#### **17.6. Exchange and use of the Unit-Holders personal data**

The registration and transfer agent collects, saves and processes electronically or otherwise the Data made available to it by the Unit-Holders at the time of subscription to be able to perform the service utilised by the Unit-Holders and to meet its legal obligations.

The processed data contain the name, address and invested sum for each Unit-Holder (the "Personal Data").

The investor can refuse to submit Personal Data at the investor's own discretion. In this case, however, the investor's application for the subscription of Units in the Company may be rejected.

The Personal Data made available by the Unit-Holders are processed in particular (i) to maintain the register of Unit-Holders, (ii) to process applications for the subscription, redemption and conversion of Units and to process dividend payments to Unit-Holders, (iii) to perform monitoring with regard to Late Trading and Market Timing practices and (iv) to comply with the applicable regulations for combating money laundering.

The registration and transfer agent may transfer the processing of Personal Data to one or more agents resident in the European Union (the "Data Processors") (for example the Distribution Agent).

The registration and transfer agent undertakes to not forward the Personal Data to third parties, with the exception of the Data Processors, except in the case of a statutory exception or where the affected Unit-Holder has given prior agreement.

All Unit-Holders are entitled to access their Personal Data and may demand correction of Personal Data insofar as the Data are imprecise or incomplete. The Unit-Holders can contact the registration and transfer agent in this regard.

The Unit-Holders have the right to object to their Personal Data being used for marketing purposes. This objection can be filed by means of a letter written to the Management Company or the central administration agent.

Personal Data are not saved beyond the period required for their processing, subject to the legally prescribed limitation periods.

## 18. Calculation of the net asset value

The Net Asset Value per Unit of a Sub-Fund and its Share classes is calculated under the responsibility of the Management Company in the currency of the particular Sub-Fund (the “Reference Currency”) on each Valuation Day as defined in the prospectus annexes, except in those cases of suspension of this calculation listed in section 19, “Suspension of the calculation of the net asset value.”

The Management Company is permitted to publish an additional publication of the Net Asset Value per Unit in currencies other than the Reference Currency. In this case, the conversion is based on the most recently available exchange rate on the particular Valuation Day.

The value of a Unit (“Unit Value”) is denominated in the currency of the Share class specified in the overview of the particular Sub-Fund given in the sales prospectus (the “Share class Currency”). It is calculated by the management company or by a third-party commissioned by the management company under the supervision of the management company on each day specified in the sales prospectus of the particular sub-fund (“Valuation Day”). The Sub-Fund and its share classes are calculated by dividing the net Sub-Fund assets of the particular share class by the number of units of this share class that are in circulation on the Valuation Day.

The assets are valued in compliance with the principles set out in the Company’s instruments of incorporation and the valuation regulations and guidelines adopted by the Management Company and changed by it from time to time.

The net fund assets are calculated according to the following principles:

- 1) The target fund Units contained in the fund are calculated at the most recently specified and available Unit Value or Redemption Price.
- 2) The value of cash holdings or bank deposits, deposit certificates and outstanding debts, prepaid expenses, cash dividends, and declared or accumulated and not yet received interest is equivalent to the particular full amount, unless it is probable that this cannot be paid or received in full, in which case the value is identified with an appropriate reduction included to enable the actual value to be reached.
- 3) The value of assets that are listed or traded on a stock exchange or on another Regulated Market is defined on the basis of the most recently available price, unless otherwise stipulated below.
- 4) If an asset is not listed or traded on a stock exchange or on another Regulated Market or if the prices corresponding to the rulings in c) do not adequately reflect the actual market value of the assets that are listed or traded on a stock exchange or on another market as mentioned above, then the value of such assets is defined on the basis of the reasonably foreseeable selling price according to a cautious estimate.
- 5) The liquidation value of futures, forwards, or options that are not traded on stock exchanges or other organised markets corresponds to the particular net liquidation value as established according to the guidelines of the management board on a foundation that is applied consistently for all the various types of agreements. The liquidation value of futures, forwards or options that are traded on stock exchanges or other organised markets is calculated on the basis of the most recently available conclusion prices of such agreements on the stock exchanges or organised markets on which these futures, forwards or options are traded by the fund; if a future, a forward or an option cannot be liquidated on a day for which the net asset value is defined, then the basis of valuation for such an agreement is defined by the board of directors in an appropriate and reasonable manner.
- 6) Swaps are valued at their market value.
- 7) It is ensured that swap contracts are concluded under standard market conditions in the exclusive interest of the fund.
- 8) Money Market Instruments may be valued at their particular market value as specified by the Management Company in good faith and in accordance with sound valuation rules that can be verified by auditors.
- 9) All other securities or other assets are valued at their reasonable market price, as defined in good faith in accordance with the procedure that is to be issued by the Management Company.

10) Interest accrued on securities is included insofar as this interest is not included in the market price (dirty pricing).

The value of all assets and liabilities that are not expressed in the currency of the Sub-Fund is converted to this currency at the most recently available exchange rate. If such prices are not available, the exchange rate is defined in good faith according to a procedure issued by the board of directors.

The Management Company is entitled to temporarily apply other adequate valuation principles for the assets and the deposits of a Sub-Fund should, as a result of extraordinary circumstances, the above-mentioned criteria seem impossible or impractical for valuation purposes.

In extraordinary circumstances, additional valuations may be performed within one day that apply for the Units that are to be issued or redeemed subsequently.

In the case of large numbers of redemption requests, the Management Company may value the Units of the particular Sub-Fund on the basis of prices at which the necessary sales of securities were made. In this case, the same calculation value will be applied for issue and redemption requests that are submitted simultaneously.

## 19. Suspension of the calculation of the net asset value and the issue, conversion and redemption of Units

The Management Company may temporarily suspend the calculation of the net asset value for each Sub-Fund and the issue, conversion and redemption of Units of this Sub-Fund:

- a) if a market or a stock exchange on which a significant portion of the Sub-Fund's securities is traded (with the exception of conventional bank holidays) is closed or if trade is limited or suspended;
- b) if, in the estimation of the Management Company, special circumstances make it impossible to sell or value assets of the corresponding Sub-Fund while safeguarding the interests of the investors;
- c) if the communication technology used to determine the price of a security of the corresponding Sub-Fund has broken down or is not fully usable;
- d) if it is not possible to transfer monies from the purchase or the disposal of the Company's capital investments;
- e) in the event of a decision to liquidate the Company, on or after the day of the announcement of the first convening of a general meeting of the Unit-Holders for this purpose.

In the event of a suspension of the calculation of the net asset value or the issue, conversion or redemption of Units, the Management Company must inform the CSSF of this without delay. If the Units are distributed in other Member States of the EU, the relevant authorities of the corresponding country must also be informed without delay.

The Company's instruments of incorporation state that the Company must suspend the issue, conversion and redemption of Units without delay as soon as an event that results in liquidation occurs or as soon as the CSSF mandates this.

Unit-holders that have offered their Units for redemption are informed in writing of a suspension of redemption within seven days and informed of termination of redemption without delay.

## 20. Closure and merger of a Sub-Fund

The Company's board of directors may decide to combine one or more Sub-Funds or Share classes or to dissolve one or more Sub-Funds or Share classes by canceling the affected Units and reimbursing the net asset value of the Units of this Sub-Fund or these Sub-Funds to the affected Unit-Holders.

The Company's board of directors may also decide to merge one or more Sub-Funds with another Luxembourg undertaking for collective investment.

The Company's board of directors is authorised to take one of said decisions:

- a) in the event of a significant change in the social, political or economic situation in the countries in which investments are made for the particular Sub-Fund or in which the Units of this Sub-Fund are distributed, or
- b) insofar as the value of the assets of the particular Sub-Fund drops to such an extent that it is no longer possible to ensure economically efficient management of this Sub-Fund, or
- c) in connection with a rationalisation.

If the Company's board of directors decides to dissolve a Sub-Fund, the Unit-Holders of this Sub-Fund may request redemption of their Units up to the day of liquidation. The Company takes the liquidation costs into account in the Net Asset Value per Unit.

The resolution of the Company's board of directors to perform the merger of one or more Sub-Funds with one or more other Sub-Funds of the Company or with another Luxembourg undertaking for collective investment is announced to the affected Unit-Holders in accordance with the provisions of section 28, "Notifications for the Unit-Holders." In this case, the affected Unit-Holders may request, during the minimum period of one month from the date of the corresponding notification, that some or all of their Units be redeemed free of charge or converted free of charge at the applicable net asset value. Once this period has expired, the merger is binding for all remaining Unit-Holders. In the event of a merger of one or more of the Company's Sub-Funds with a Luxembourg FCP, the decision is only binding for the Unit-Holders that have voted for this merger; for all other Unit-Holders it is assumed that they have made an application for redemption if their Units.

The proceeds arising from the dissolution of Units not claimed by the Unit-Holders after the dissolution of a Sub-Fund has been completed are deposited with the *Caisse des Consignations* in Luxembourg, where they lapse after 30 years.

## 21. Fees, costs and cost distribution

### 21.1. Fees

On the basis of the service agreements concluded by the Company or by the Management Company, the following fees are fundamentally incurred by the Sub-Fund:

- a) the Management Company fee up to a maximum of 0.10% p.a. of the net assets of the particular Sub-Fund, except where, in connection with certain Sub-Funds, a differing provision has been arranged for the services of the Management Company arising from the Management Company Services Agreement. The management company fee is calculated for the net Sub-Fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The Management Company fee is subject to VAT as applicable. All provisions to the contrary are specified in concrete terms in the prospectus annexes for the affected Sub-Fund;
- b) the Portfolio Manager Fee up to a maximum of 2.00% p.a. of the net assets of the particular Sub-Fund as specified in the prospectus annexes for each Sub-Fund for the services arising from the particular portfolio manager agreement. The Portfolio Manager Fee is calculated daily on the basis of the net Sub-Fund assets of the relevant Share class on the previous Valuation Day and is paid on a monthly basis for the previous month. The Portfolio Manager fee is subject to VAT as applicable. If a Portfolio Manager additionally receives an annual operating and management fee (which must not exceed 1.00% of the net assets of the corresponding Sub-Fund) and/or a performance-related fee (the "Performance Fee"), its size and calculation method will be stated in the prospectus annexes for the corresponding Sub-Fund. The operating and management fee is calculated for the net Sub-Fund assets of the relevant Share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The operating and management fee is subject to VAT as applicable;

For the hedging of currency translation risks for certain Share classes, a remuneration can be additionally charged to the particular Share classes.

- c) the Main Distribution Agent fee for services arising from the main distribution agreement, whose size is named in the prospectus annexes for each Sub-Fund. The Main Distribution Agent fee can be paid to the Main Distribution Agent both

from the sales charges and redemption fees and from the Portfolio Manager Fee as described under (b). The size of the Portfolio Manager Fee is not influenced by this;

- d) the remunerations of the depositary and paying agent, central administration agent and registration and transfer agent are listed in the corresponding annex. The fees do not include any transaction fees or fees of sub-depositaries or similar service providers. Any incurred cash expenses (including without limitation costs for electronic data transmission and postal charges) not covered by these fees are reimbursed to the depositary, central administration agent and registration and transfer agent from the Sub-Fund assets.

The sum paid from the fund assets to the depositary, central administration agent and registration and transfer agent is mentioned in the annual report.

Investors may view the corresponding agreements at the Company's registered office during conventional office hours. The specific details of the fees borne by the Sub-Fund are depicted in the Company's annual and semi-annual reports, which each investor can receive upon request;

- e) remunerations for services in connection with the risk management procedure.

The fees from items (a) to (e) are paid directly from the Sub-Funds' assets.

The fees may be described as a flat-rate management fee (*all-in fee*) in the prospectus annexes for the affected Sub-Fund. In addition, related details are given in the Company's annual report.

## 21.2. Costs

The following costs arising from the Company's duties (in conjunction with the Management Company) are paid directly from the Sub-Funds' assets, unless an arrangement to the contrary has been made in connection with certain Sub-Funds:

- 1) All costs connected with the acquisition and disposal of assets, including costs connected with potential transactions that are ultimately not performed, e.g. a transaction that is not pursued in connection with due diligence;
- 2) Fees and expenses of correspondent banks of the depositary, paying agents or other representatives in Luxembourg or in another country in which Units of the Company or of a Sub-Fund are distributed;
- 3) expenses and expenditures of the members of the Company's board of directors for fulfilling their duties and other employees of the Company or other persons acting for the Company;
- 4) any taxation levied on the Company's assets, its yields and its expenses to debit of the Company or a Sub-Fund;
- 5) costs for legal and tax advice that are incurred by the Company, the depositary or the Management Company in connection with the management of the Company, where they act in the interest of the Unit-Holders, auditors' remunerations and insurance costs of any type;
- 6) the costs for preparing and creating and for depositing and publishing documents and papers relating to the Company and required in accordance with the applicable laws or ordinances or with circulars issued by authorities;
- 7) a reasonable share of the costs for advertising and any costs that are incurred in direct relation to the offering and the sale of Units;
- 8) costs for the establishment, administration and management of subsidiaries of the Company through which the investments of a certain Sub-Fund are made;
- 9) costs incurred in connection with the valuation of non-trivial assets (e.g. the performance of a valuation model) and costs incurred from the ongoing valuation of non-trivial assets;
- 10) costs in connection with the exercising of voting rights or creditor rights, including remuneration costs for external consultants and/or service providers;

- 11) costs that could be incurred in connection with the use of a standard of comparison, e.g. a benchmark or index;
- 12) charges for the administration of derivative transactions and their hedging and charges for further services of third parties relating to these transactions, for example notifying a transaction register;
- 13) for the initiation, preparation and performance of securities financing transactions, a flat-rate remuneration in favour of the Management Company of up to 49% of the income from these transactions. The Management Company bears the costs incurred in connection with the preparation and performance of these transactions, including the remuneration to be paid to third parties;
- 14) costs charges by the main distributor (e.g. for due diligence of sub-distributors); these may amount up to 0,03% p.a. of the net assets of the relevant Sub-Fund
- 15) in cases where judicial or extrajudicial disputed claims are asserted, a remuneration of up to 10% of the sums collected for the fund—after deduction and balancing of the cost incurred for the fund from this procedure.

All provisions to the contrary are specified in concrete terms in the prospectus annexes for the affected Sub-Fund.

### 21.3. Cost distribution

If expenses and costs affect all Sub-Funds equally, all Sub-Funds will bear these expenses and costs. Where expenses and costs only affect one or certain Sub-Funds, these expenses and costs will be charged to the corresponding Sub-Fund or Sub-Funds. Marketing and advertising expenses must only be charged to a Sub-Fund in individual cases as the result of the decision made by the Company.

All fees, costs and expenses that are to be borne by the Company are initially offset against the income and then the capital. The costs and expenses for the organisation and registration of the Company as an undertaking for collective investment in Luxembourg that do not exceed EUR 100,000 are written off over a period of no more than five years; they may also, however, be borne by third parties in accordance with a separate agreement.

If new Sub-Funds are launched, the establishment costs thus incurred can be written off over a period of no more than five years from the day of establishment of the particular Sub-Fund from its net assets.

## 22. Taxation in the Grand Duchy of Luxembourg

The following information is only general information based on the Company's understanding of certain legal relationships and practices in Luxembourg at the time this prospectus was prepared. This is not an exhaustive description of all tax considerations that could be relevant to an investment decision. It is only included in this document for the purposes of initial information and is not intended as legal or tax advice and may not be interpreted as such. It contains a description of the significant tax implications in Luxembourg in relation to the units and cannot take into account any tax considerations that result from regulations that are generally applicable or that generally require that the unitholders be aware of them. This summary is based on the laws applicable in Luxembourg on the day this prospectus was prepared and may be affected by changes to the law that come into force after this date. Prospective investors are advised to contact their professional advisers in relation to specific circumstances, the effect of national, local or foreign laws that could apply to them, and with regard to their tax situation.

Please note that the concept of residency used under the following headings is only applicable to investments subject to income tax in Luxembourg. All references in this section to taxes, fees or other charges or amounts of similar nature to be withheld at source relate exclusively to Luxembourg tax provisions, excluding all other provisions. Please also note that any reference to income tax in Luxembourg also implies a reference to corporation tax (impôt sur le revenu des collectivités), trade tax (impôt commercial communal), the solidarity surcharge (contribution au Fonds pour l'emploi) and personal income tax (impôt sur le revenu). Investors may also be subject to wealth tax (impôt sur la fortune) and other taxes, fees and charges. Corporation tax, trade tax and the solidarity surcharge apply to most companies that are domiciled for tax purposes in Luxembourg. As taxpayers, natural persons are generally subject to income tax, the solidarity surcharge and the budget balancing tax. As a taxpayer,

a natural person may be subject to trade tax in special circumstances, insofar as they operate within the scope of their own business or a professional activity.

## 22.1. Taxation of the Company

### 22.1.1. Subscription tax

The Company is generally subject to subscription tax in Luxembourg (*taxe d'abonnement*) at the rate of 0.05% p.a. on its net assets. The tax is payable quarterly and calculated on the valuation date based on the net asset value of the relevant category.

A reduction in the subscription tax rate from 0.05% p.a. to 0.01% p.a. is possible for:

- (a) UCIs, the exclusive purpose of which is investing in money market instruments and term deposits at credit institutions;
- (b) UCIs, the exclusive purpose of which is investing in term deposits at credit institutions;
- (c) Individual sub-funds of a UCI in the form of an umbrella UCI within the meaning of the 2010 Law, as well as individual share classes within a UCI or within a sub-fund of an umbrella UCI, provided that investment in these sub-funds or share classes is restricted to one or more institutional investors.

An exemption from the subscription tax is possible for:

- (d) the value of assets consisting of shares or units in other UCIs, insofar as such shares or units have already been assessed for subscription tax as laid down in the 2007 Law on specialised investment funds (as amended) or the 2010 Law;
- (e) UCIs and individual sub-funds in umbrella UCIs with multiple sub-funds:
  - i. whose securities are restricted to institutional investors; and
  - ii. whose exclusive objective is collective investment in money market instruments and placing deposits with credit institutions; and
  - iii. whose weighted remaining portfolio maturity does not exceed 90 days; and
  - iv. that have received the highest possible rating from a recognised rating agency;
- (f) UCIs whose securities (i) are reserved for occupational pension schemes or similar investment vehicles launched on the initiative of one or several employers for their employees, and (ii) are reserved for companies owned by one or more employers who invest their funds in order to offer retirement benefits to their employees;
- (g) UCIs and individual sub-funds in umbrella UCIs with several sub-funds whose main objective is to invest in microfinance institutions; or
- (h) UCIs and individual sub-funds in umbrella UCIs with multiple sub-funds:
  - i. whose units are listed or traded on at least one stock exchange or on another properly functioning regulated market that is recognised and accessible to the public; and
  - ii. whose exclusive purposes is to mimic the performance of one or more indices.

If there are multiple share classes within the UCI or the Sub-fund, the exemption is applicable only to those classes that meet the conditions of sub-item (i).

### 22.1.2. Income tax

The Company is not subject to any income tax in Luxembourg

### 22.1.3 Value Added Tax (VAT)

For the purposes of VAT, the Company is considered in Luxembourg as a taxable person with no entitlement to deduct input tax. Services that qualify as fund management services are exempt from VAT in Luxembourg. Other services supplied to the Company may give rise to an obligation to pay VAT, which may require the Company to register for VAT in Luxembourg. Registering for VAT allows the Company to meet its self-assessment obligation for Luxembourg VAT that arises in the event that it purchases services (and in some cases also supplies) from abroad that are subject to VAT.

In principle, payments made by the Company to its unitholders do not give rise to a VAT obligation as long as the payments are associated with the subscription to shares in the Company and do not constitute remuneration for services rendered which are subject to VAT.

### 22.1.4. Other taxes

No stamp duty or other tax is payable in Luxembourg for the issue of the shares in the Company in return for a cash contribution, with the exception of a flat-rate registration charge of EUR 75 when the Company is established and when the Fund's Articles of Association are amended.

The Company is exempt from wealth tax.

In the country of origin of its investments, the Company may be subject to withholding tax on dividends and interest, as well as capital gains tax. As the Company is not subject to corporation tax itself, any withholding tax deducted at source cannot be offset or reimbursed in Luxembourg. It is not certain whether the Company can benefit from Luxembourg's range of double taxation agreements. It needs to be analysed in individual cases whether the Company can use a double taxation agreement concluded by Luxembourg. As the Company is set up as a company (as opposed to jointly held property assets with no legal personality), it may be that certain double taxation agreements concluded by Luxembourg are directly applicable to the Company.

## 22.2. Taxation of the Unit-Holders

Unitholders are not subject to unrestricted taxation in Luxembourg or treated as such based solely on the ownership or exercise, termination, handover and/or execution of their rights and obligations relating to the units.

### 22.2.1. Income Tax

Unitholders not resident in Luxembourg

Unitholders who are not resident in Luxembourg and who do not have a business establishment or a permanent representative in Luxembourg to which or to whom the units can be attributed, are not subject to Luxembourg income tax on distributed or accrued dividends from the Company. Disposal gains of non-resident unitholders are also not subject to tax in Luxembourg.

Insofar as a non-resident unitholder that is a corporation has a business establishment or a permanent representative in Luxembourg to which or to whom the units can be attributed, the earnings received from the units (dividends and gains on disposal) are to be declared in their taxable profits and taxed in Luxembourg. The same applies to a natural person who acts in the context of a commercial or professional activity and has an establishment or a permanent representative in Luxembourg to which or to whom the units can be attributed. The taxable disposal gains result from the difference between the sale, repurchase or redemption amount and the lower of the purchase price or book value of the sold or redeemed units.

Unitholders resident in Luxembourg

(a) Natural persons resident in Luxembourg

Dividends and other payments derived from units and received by a natural person resident in Luxembourg who is acting in the context of the management of their personal assets or in the context of commercial or professional activities are subject to income tax at the normal progressive tax rates.

Private individuals' gains on disposal of units held as personal assets are only taxable in Luxembourg if the disposal gains are "speculative gains" or gains from a "significant holding". The gains are speculative gains if the units are sold before they are acquired or the units are sold within six months of their acquisition. Speculative gains are taxed at the normal personal tax rate. A holding is deemed significant in certain cases, and especially if (i) the seller directly or indirectly held more than 10% of the company capital alone or together with his/her spouse or minor children at any time within the five years prior the date of the sale, or (ii) the seller acquired the holding free of charge within the five years prior to the sale and it constituted a significant participation for the previous owner (or one of the previous owners in the case of several free transfers) at any time within the last five years. Gains on disposal of a significant holding that has been held for at least six months are subject, less disposal costs and the purchase price, to a reduced tax rate corresponding to half of the average tax rate that would be applicable to the adjusted income. Any sale, exchange, contribution and any other kind of disposal are regarded as being disposals. The taxable gains on disposal is defined as the difference between the sale, repurchase or redemption amount and the lower of the purchase price or book value of the units.

Gains on disposal realised by a natural person resident in Luxembourg for tax purposes who is acting in the context of a commercial or professional activity are subject to income tax at the normal progressive tax rates. Gains on disposal are defined as the difference between the sale, repurchase or redemption amount and the lower of the purchase price or book value of the securities.

(b) Corporations registered in Luxembourg

Unitholders that are Luxembourg taxable corporations (*sociétés de capitaux*) have to include all income received from the units and all gains resulting from the sale, disposal or redemption of the units in their taxable profit.

(c) Unitholders resident in Luxembourg who are subject to a special tax regime

Luxembourg-based unitholders subject to a special tax regime ((i) funds subject to the 2010 Law (ii) special funds subject to the 2007 Law (iii) companies that are companies for the management of family assets in accordance with the amended Law of 11 May 2007, and (iv) reserved alternative investment funds that are subject to the 2016 Law and have not opted to invest in risk capital as an investment company) are exempt from tax in Luxembourg and income from the units is therefore not subject to any Luxembourg income tax.

### 22.2.2. Wealth tax

A unitholder resident in Luxembourg, and a non-resident unitholder who has an establishment or a permanent representative in Luxembourg to which or to whom the units can be attributed, is subject to wealth tax for those units, unless the unitholder is (i) a natural person resident or non-resident for tax purposes, (ii) a fund pursuant to the 2010 Law, as amended, (iii) a securitisation company under the Law of 22 March 2004 on securitisation, as amended, (iv) a company as defined by the Law of 15 June 2004 on investment companies investing in risk capital, as amended, (v) a specialised investment fund pursuant to the 2007 Law (vi) a company that manages family assets in accordance with the Law of 11 May 2007, as amended, (vii) a professional institution for pensions under the Law of 13 July 2005, as amended, or (viii) a reserved alternative investment fund pursuant to the 2016 Law.

It should be noted that a minimum wealth tax is applicable to (i) securitisation vehicles under the Law of 22 March 2004, as amended, (ii) investment companies investing in risk capital under the Law of 15 June 2004, as amended, (iii) professional institutions for pensions under the Law of 13 July 2005, as amended, and (iv) non-transparent reserved alternative investment funds that are subject to the 2016 Law and, as an investment company, have opted to invest in risk capital.

### 22.2.3. Other taxes

Under Luxembourg tax law, units held by a natural person who is resident in Luxembourg for inheritance tax purposes at the time of their death shall be added to the assets of this person that are subject to inheritance tax. By contrast, inheritance tax is not levied if the units are transferred by will, provided the deceased shareholder was not resident in Luxembourg for inheritance tax purposes at the time of their death, and the transfer was also not notarised or registered in Luxembourg.

Gift tax may be levied if the units are gifted, provided the gift is notarised or registered in Luxembourg.

Prospective investors should inform themselves of the legislation and rules applicable to the purchase, holding and redemption of units and, where appropriate, seek professional advice.

### **23. Duty to provide information and taxation under FATCA**

With the FATCA regulations in the US "Hiring Incentives to Restore Employment Act" of 2010, the United States of America (the "US") issued far-reaching legal regulations regarding a reporting system whose aim is to ensure that US investors who hold investments outside the US are reported by financial institutions to the US tax authorities (the Internal Revenue Service, "IRS"). The FATCA regulations are used to prevent tax evasion.

As part of the process for implementing FATCA, Luxembourg concluded an IGA with the US on 24 July 2015, according to which, under certain conditions, financial institutions in Luxembourg are required to provide information to the competent authorities about financial accounts of U.S. Specified Persons as defined in the IGA.

As a fund set up in Luxembourg, which is subject to the supervision of the Commissions de Surveillance du Secteur Financier (CSSF) in accordance with the 2010 Law, the Company should be treated as a Reporting Foreign Financial Institution within the meaning of the IGA.

As a result of this FATCA status, the Company is obliged to collect and check information about all unitholders on a regular basis. At the Company's request, each unitholder must provide certain information, including the relevant documents. In the case of a foreign non-financial institution within the meaning of the IGA (Non-Financial Foreign Entity, "NFFE"), these include the direct or indirect owners as soon as they exceed a certain level of ownership. Similarly, each unitholder agrees to report any information that is likely to impair their FATCA status (e.g. a new address or a new place of residence) within thirty days.

Under the FATCA law, which implements the IGA, the Company may be obliged to provide the name, address and (where applicable) the tax identification number of the unitholder and information such as the account balance, income and gross income (this is not an exhaustive list) to the Luxembourg tax authority. This information is forwarded to the IRS by the Luxembourg tax authority.

In addition, the Company is responsible for handling personal data. Each unitholder has the right of access to the data forwarded to the Luxembourg tax authority. They can correct this if necessary. Any data to which the Company has access will be processed in accordance with the laws applicable in Luxembourg for the protection of personal data. Although the company endeavours to comply with all obligations under FATCA and to avoid withholding tax on the basis of FATCA, it is not certain that the Company will be able to fulfil these obligations. If the Company is subject to a 30% withholding tax under FATCA or is issued a fine, the value of the units of the unitholders may suffer significant losses. If the Company cannot obtain the required information from each unitholder, and therefore cannot pass this on to the IRS as required, this may result in a 30% withholding tax on payments with a source in the US and on income from the sale of basic assets or other assets that yield interest or dividends with a US origin.

Any unitholder who fails to comply with the documentation obligations requested by the Company may be charged all taxes or fines imposed on the Company due to the unitholder's failure to provide the information. The Company may also withdraw the units at its discretion, in particular if the unitholder is classified as a Prohibited Person as defined by FATCA.

Unitholders who invest through intermediaries are hereby reminded to check whether and to what extent their intermediaries comply with the FATCA requirements.

Unitholders should consult with their US legal advisers or seek other professional advice in relation to the legal obligations described.

### **24. Duties to provide information under CRS**

The Company is subject to the provisions of the CRS Act. In Luxembourg, the CRS Act regulates the automatic exchange of information on financial accounts within the European Union, which has been in force since 1 January 2016, and implements

the Multilateral Agreement signed by Luxembourg between the competent authorities on the automatic exchange of information within the framework of the CRS of the OECD.

The Company is expecting to be treated as a Reporting Financial Institution under the CRS Act. As such, the Company is obliged as of 30 June 2017 to report certain personal and financial information annually to the Luxembourg tax authority, regardless of other provisions on data protection described in the fund documentation. These include, among other things, the identification of shareholdings and payments to (i) Persons Subject to reporting Requirements (Personnes devant faire l'objet d'une déclaration) and (ii) Controlling Persons (personnes détenant le contrôle) in Passive Non-financial Institutions (ENF passive), which in turn are Persons Subject to Reporting Obligations. The information to be reported is exhaustively listed in Article 4 of the CRS Act ("information") and includes personal data relating to Reporting Persons.

The unitholders are obliged to provide the Company with the necessary information together with the necessary written documents. The unitholders are hereby expressly informed that the Company, as the controller responsible for data processing, uses the information for the purposes of the CRS Act.

The Company is responsible for handling personal data. Each unitholder has the right to access the data forwarded to the Luxembourg tax authority. They can correct this if necessary. Any data to which the Company has access shall be treated in accordance with the laws applicable to the protection of personal data in Luxembourg.

The unitholders are also informed that the information relating to Persons Subject to Reporting Requirements as required by the CRS Act is transmitted to the Luxembourg tax authority annually. In particular, Persons Subject to Reporting Requirements are informed that they certain operations they performed are reported to them through account statements, and that parts of this information serve as the basis for the annual communication to the Luxembourg tax authority.

The unitholders are obliged to inform the Company if any personal data is incorrect. In the event of changes to the information, investors are obliged to inform the Company immediately of this by providing the corresponding written documents to the Company.

Any unitholder who fails to comply with the Company's requests with regard to information and written evidence may be sued for any resulting penalties imposed on the Company.

The Fund will aim for appropriate diversification of the insurance risks by monitoring the probable maximum loss ("PML"). In the reinsurance industry, the PML is a well-established key indicator, and shows the amount of a potential loss with a given probability of occurrence of 99%. In order to deal with significant reductions ("draw-downs") arising from individual catastrophic events, the PML for each specific region is limited to 20% of the NAV of the Sub-fund, with the exception that the limit for one region is 35% of the NAV of the Sub-fund.

The cumulative market value per sponsor may not exceed an upper limit of 20% of the NAV of the Sub-fund, with the exception that the limit for one sponsor is 35% of the NAV of the Sub-fund.

## 25. Meetings of the Unit-Holders

The Company's general meeting of Unit-Holders is held every year fundamentally on the last Thursday of the month of April or another date within six months after the end of each financial year, as determined by the board of directors. Other general meetings or separate general meetings of Unit-Holders of the individual Sub-Funds or Share classes, where different Share classes have been issued within a Sub-Fund, may be held at places and times named in the corresponding invitation

Invitation to general meetings and separate general meetings is issued in accordance with Luxembourg law and published on [www.falcon.lu](http://www.falcon.lu). Insofar as required, the invitation will also be published on the information platform Recueil électronique des sociétés et associations ("RESA") of the Luxembourg Commercial and Companies Register at least 15 days in advance, in at least one Luxembourg newspaper and at the choice of the Company in one or more newspapers in all countries in which Units are distributed. The invitation contains information on the time and location of the event and on the participation conditions, the agenda, the required quorum and the regulations for exercising voting rights.

Other messages to all Unit-Holders or to Unit-Holders of various Sub-Funds or Share classes are issued in accordance with the provisions of section 25 below, "Notifications for the Unit-Holders."

## 26. Financial year and reporting

Fundamentally, each financial year begins on January 1 and ends of December 31 of the same year.

The annual statement of accounts containing all Sub-Funds and all assets of the Company in total is available at the Company's registered office at least eight days before the annual general meeting. Unaudited semi-annual reports are available within two months after the corresponding date. The Company is entitled to publish separate annual and semi-annual reports for individual Sub-Funds, which must always however contain the Company's consolidated annual or semi-annual financial statement.

Copies of all reports are available from the registered office of the Company and the Management Company. The separate annual and semi-annual reports of particular Sub-Funds are available from the Distribution Agents responsible for the distribution of the particular Sub-Funds.

## 27. Documents for viewing

Copies of the following documents can be viewed during normal business hours (except on Saturdays and bank holidays) at the registered office of the Company and the Management Company and at the distribution and paying agents:

- a) the Company's instruments of incorporation;
- b) the Management Company's instruments of incorporation;
- c) the contracts of the Company;
- d) the sales prospectus;
- e) the key investor information documents (KIID) accessible from the website [www.falcon.lu](http://www.falcon.lu) regarding the Company's individual Sub-Funds or their Share classes;
- f) the annual and semi-annual reports of the Company.

## 28. Notifications for the Unit-Holders

Every notice convening the general meetings, every change to the instruments of incorporation, announcements of the dissolution and liquidation of the Company or a Sub-Fund and any other key information for the Unit-Holders is sent by the registration and transfer agent to the investors and, where required by law, published on the information platform Recueil électronique des sociétés et associations ("RESA") of the Luxembourg Commercial and Companies Register and in one daily Luxembourg newspaper. The Company or the Management Company can furthermore at its own discretion initiate publications in other newspapers in Luxembourg and in other countries in which Units are distributed. Every change to the instruments of incorporation is deposited with the Luxembourg Commercial and Companies Register and a note regarding this depositing is published on the information platform Recueil électronique des sociétés et associations ("RESA") of the Commercial and Companies Register in Luxembourg.

Insofar as the Company's Unit-Holders are known by name and address, notifications can also be sent to the Unit-Holders by post, in accordance with the legal regulations.

## 29. Publications and investor complaints

In addition to the sales prospectus, the Company issues a document containing the main information for the investors (the key investor information document, KIID). The key investor information document can be downloaded from the Management Company's website at [www.falcon.lu](http://www.falcon.lu). Moreover, a paper copy will be provided by the Management Company or Distribution Agents on request.

The performance of the particular Sub-Fund is given—where available—in the key investor information document.

Furthermore, the Company will ensure appropriate publication of the Issue and Redemption Prices of the individual Sub-Funds in the countries in which Units of the Company are distributed. This publication of the Issue and Redemption Prices will be performed for all classes in the Reference Currency of the Share class. The Issue and Redemption Prices of the Units in the Company can be accessed by the investors at any time at the website: [www.falcon.lu](http://www.falcon.lu) and viewed at the Company's registered office on Bank Working Days during normal business hours.

Investor complaints can be directed to the Management Company and all Distribution Agents. These complaints will be processed in an orderly manner, within 14 days. Information on this procedure is available on request from the Management Company or the Distribution Agents.

### **30. Binding effect of the German text**

Insofar as this prospectus, the instruments of incorporation or other documents and publications concerning the Company and the Sub-Fund are present in or are compiled in other languages, only the German text has binding effect.

### **31. Information for investors in Switzerland**

#### **31.1. Representative**

The representative in Switzerland is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich.

#### **31.2. Paying agent**

The paying agent in Switzerland is Falcon Private Bank Ltd., Pelikanstrasse 37, 8021 Zurich.

#### **31.3. Source of relevant documents**

The relevant documents such as the prospectus, the key investor information document (KIID), the statutes and the annual and semi-annual reports can be obtained free of charge from the representative in Switzerland. All said documents can also be accessed at [www.falcon.lu](http://www.falcon.lu) free of charge.

#### **31.4. Publications**

- 1) Foreign publications regarding collective capital investments in Switzerland shall be made on the electronic platform of ACOLIN InfoTech AG, Zurich ([www.fundpublications.com](http://www.fundpublications.com)). In particular, significant notifications to the Unit owners such as important changes to the Sales Prospectus and the liquidation of investment funds or one or more Sub-Funds are published in this publication organ.
- 2) The Issue and Redemption Prices or the asset value with the note "not including commissions" for all Share classes shall be published for every issue and redemption of Units on the electronic platform of ACOLIN InfoTech AG, Zurich ([www.fundpublications.com](http://www.fundpublications.com)). The prices are published every Valuation Day.

#### **31.5. Payment of retrocessions and discounts**

##### **Retrocessions**

The investment fund or the Management Company and its representatives may pay retrocessions as reimbursement for distribution activities for fund Units in Switzerland or from Switzerland. This reimbursement applies for all offering and all advertising of the investment fund, including all types of activities aimed at selling the Unit funds, such as in particular organising roadshows, participating in trade fairs and events, creating marketing material and training distribution partners.

Retrocessions are not deemed discounts even if they are ultimately forwarded to the investors in whole or in part.

The recipients of the retrocessions provide transparent disclosure and inform the investors, without request and free of charge, of the size of the reimbursements that they could receive for the distribution.

On request, the recipients of the retrocessions disclose the effectively received sums that they receive for the distribution of the investment fund of these investors.

### Discounts

The investment fund or the Management Company and its representatives may pay, in distribution in Switzerland or from Switzerland, discounts on request directly to investors. Discounts serve to reduce the fees or costs incurred by the investors in question. Discounts are permissible, insofar as they:

- are paid from fees of the investment fund or its Management Company and thus are not additionally charged to the fund assets;
- are granted on the basis of objective criteria;
- are granted to all investors that fulfil the objective criteria and that demand discounts under the same time conditions and to the same extent.

The objective criteria for granting discounts through the investment fund or its Management Company are:

- the volume subscribed by the investor or the total volume held by the investor in the investment fund or, as applicable, in the promoter's product range;
- the size of the fees generated by the investor;
- the investment behaviour practiced by the investor (e.g. the expected investment duration);
- the investor's willingness to provide support in the launching phase of an investment fund.

At the investor's request, the investment fund or its Management Company discloses the corresponding size of the discounts free of charge.

### 31.6. Place of performance and legal venue

For the Units distributed in Switzerland and from Switzerland, the place of performance and legal venue is the location of the representative's registered office.

### 31.7. Language

For the legal relationship between the investment fund and the investors in Switzerland, the German version of the full sales prospectus is binding.

## 32. Additional information on the distribution of Units in Germany

The information given below is aimed at potential purchasers in the Federal Republic of Germany, defining details for, and supplementing, the prospectus in relation to distribution in the Federal Republic of Germany:

### Paying and information agent

The paying and information agent in the Federal Republic of Germany is:

Hauck & Aufhäuser Privatbankiers AG  
Kaiserstr. 24  
60311 Frankfurt am Main, Germany

### Redemption and conversion applications, payments

Redemption and conversion applications for Units can be submitted to the German paying and information agent. Redemption income, any distributions or other payments to the Unit-Holders can also be routed via the German payment and information agent.

### Information

Copies of the sales prospectus, the key investor information document (KIID), the Company's instruments of incorporation, the Management Company's instruments of incorporation, the annual and semi-annual reports and the Issue and Redemption Prices (and where applicable the conversion prices) are available free of charge from the paying and information agent.

### Price publications and other announcements

The Issue and Redemption Prices and all other legally prescribed announcements for the investors are published online under [www.falcon.lu](http://www.falcon.lu).

In the following cases, the investors must be informed in Germany by means of a durable medium in accordance with section 167 of the German Capital Investment Code (KAGB) in German or in another language customary in the sphere of international finance (section 298(2) KAGB):

- Suspension of the redemption of Units of a Sub-Fund.
- Termination of the administration of a Sub-Fund or its handling.
- Changes to the instruments of incorporation that are not compatible with the previous investment principles, that affect the main investor rights or that relate to the remunerations and expense reimbursements that can be drawn from the separate assets, including the background of the changes and the rights of the investors described in a comprehensible way; it must also be stated where and how related information can be obtained.
- The merger of investment assets in the form of information on the merger that is to be compiled in accordance with article 43 of Directive 2009/65/EC.
- The conversion of investment assets to a feeder fund or the changes of a master fund in the form of information that is to be compiled in accordance with article 64 of Directive 2009/65/EC.

## 33. Additional Information for Investors in the United Kingdom

### 33.1. General

The SICAV is a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000 of the United Kingdom ("UK").

### 33.2. Facilities Agent

The UK facilities agent for the SICAV is Acolin UK Limited, 90 Long Acre London, WC2E 9RZ, United Kingdom (the "UK Facilities Agent"). Acolin UK Limited is authorised and regulated by the Financial Conduct Authority.

### 33.3. Publications and investor complaints

Besides the prospectus, the Company produces the "key investor information document" (KIID). The KIID document may be downloaded from the Fund Management Company's website at [www.falcon.lu](http://www.falcon.lu). A paper version will be made available by the UK Facilities Agent upon request.

The issue and Redemption Prices of shares in the Company may be accessed by investors at any time on the following website: [www.falcon.lu](http://www.falcon.lu) or inspected at the registered office of the Company and the UK Facilities Agent during normal business hours on any day on which banks are open for business.

Investor complaints may be submitted to the Fund Management Company and to the UK Facilities Agent, where they will be fully investigated within 14 days. Information about this process is available from the Fund Management Company and to the UK Facilities Agent upon request.

### **33.4. Documents Available for Inspection**

Copies of the following documents of the SICAV may be inspected free of charge during normal business hours on any business day at the office address of the UK Facilities Agent set out above:

**the Company's articles of association;**

- a) the Fund Management Company's articles of association;
- b) the latest prospectus;
- c) the KIID, which may be accessed on the website [www.falcon.lu](http://www.falcon.lu), with respect to the Company's individual subfunds and their share classes;
- d) the Company's latest annual and semi-annual reports;
- e) the notices to shareholders.

## **34. Distribution from Dubai International Financial Centre**

This publication is intended for information purposes only and does not constitute an offer, a recommendation or an invitation by, or on behalf of, Falcon Private Wealth Ltd. or any of its group affiliates to make any investments. This information has been issued and distributed by Falcon Private Wealth Ltd. It may not be relied upon by or distributed to retail clients. Please note that Falcon Private Wealth Ltd. offers financial products or services only to professional Clients who have sufficient financial experience and understanding of financial markets, products or transactions and any associated risks. The products or services will be available only to professional clients in line with the definition of the DFSA Conduct of Business Module. Falcon Private Wealth Ltd. is duly licensed and regulated by the Dubai Financial Services Authority (DFSA).

This fund is only for professional clients in accordance with the DFSA COB Rulebook definition and is not available for retail clients. This prospectus relates to a fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with this fund. Accordingly, the DFSA has not approved this prospectus or any other associated documents nor taken any steps to verify the information set out in this prospectus, and has no responsibility for it. The units to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the units. If you do not understand the contents of this document you should consult an authorised financial adviser.

# Annexes to the Prospectus

## Sprott-Falcon Gold Equity UCITS Fund

<b>ISIN:</b>	Share class A (USD): LU0794517200 Share class I (USD): LU0794518190 Share class I (GBP): LU1262949990 Share class T (USD): LU0794519677 Share class W (USD): LU1038803604
<b>WKN:</b>	Share class A (USD): A1J2RS Share class I (USD): A1J2RU Share class I (GBP): A1404T Share class T (USD): A1J2RV Share class W (USD): A1XEUQ
<b>Reference currency of the Sub-Fund:</b>	US dollar (USD)
<b>Share class currency:</b>	Share class A (USD): USD Share class I (USD): USD Share class I (GBP): GBP Share class T (USD): USD Share class W (USD): USD
<b>Initial issue price:</b>	Share classes A, I and T: USD 100 or GBP 100, Share class W: Net asset value of share classes I (USD) of the sub-fund Falcon Fund SICAV - Sprott-Falcon Gold Equity UCITS Fund on February 28, 2014
<b>Minimum subscription sum for initial subscription:</b>	Share class A: USD 100 Share classes I: USD 1,000,000, GBP 1,000,000 (institutional investors) Share class T: USD 125,000 (selected investors as selected by the management company in individual cases with prior agreement from a managing director of the management company) Share class W: USD 100,000,000 (selected investors as selected by the management company in individual cases with prior agreement from a managing director of the management company)
<b>Minimum subscription for follow-on subscriptions:</b>	Share class A: 1 unit Share class I: 1 unit Share class T: 1 unit Share class W: 1 unit
<b>Initial subscription period:</b>	Share classes A, I (USD) and T: July 2, 2012, up to and including August 9, 2012 Share class W: February 24, 2014, up to and including February 27, 2014 Share class I (GBP): September 1 to 15, 2015
<b>Initial issue date:</b>	Share classes A, H, I and T: August 10, 2012 Share class W: February 28, 2014

Share class I (GBP): September 15, 2015

### Investment objectives and investment policy

The investment policy of the Sprott-Falcon Gold Equity UCITS Fund (the “Sub-Fund”) is geared toward longer-term increase in value through long and short strategies in the areas of gold, precious metals, mining and metal exploration. The Sub-Fund invests at least 75% of the Sub-Fund assets in stocks of gold producers and operators of gold mines, but also in stocks of producers and mine operators of precious metals, similar metals and/or precious stones. Additionally, investments can be made in companies for which a significant portion of the operating activities are connected with gold, precious metals, similar metals and/or precious stones. The portfolio manager structures the portfolio of the Sub-Fund by means of a selection procedure in accordance with the bottom-up model, which is based on an in-depth analysis of the securities. The portfolio is not however intended to replicate any reference index. The selection of securities is performed in accordance with intensive independent research and a stringent investment procedure.

Bonds or other fixed-interest and variable-interest securities (rated B or better), liquid assets and money market instruments can be held up to a rate of 20% of the Sub-Fund assets.

The Sub-Fund can furthermore invest up to 10% of its assets in units of other UCITS or UCIs. The UCITS and/or UCIs (“target funds”) bought each pursue their own investment strategies and may be subject to different investment restrictions.

The Sub-Fund may invest in derivative financial instruments such as swaps, futures, forward exchange transactions and options for hedging purposes and for efficient management of the portfolio. No securities financing transactions (such as securities lending transactions and repurchase agreements) are performed for the Sub-Fund.

For hedging purposes and to increase the investment income, the Sub-Fund may also invest in short positions by means of derivatives. The long positions of the Sub-Fund have at all times sufficient liquidity to be able to cover any liability arising from the short position.

The Sub-Fund does not invest directly in commodities.

The above-mentioned investments are made in compliance with the investment restrictions stated in item 3 (investment restrictions) of this sales prospectus.

### Special risk information

- Precious metals

The Sub-Fund must not invest directly in precious metal ingots or coins (including gold, silver, platinum and palladium).

- Issuers in the commodity sector

Issuers that mine or process gold and other precious metals and companies that perform services for such issuers are directly affected by the gold and precious-metal price, which can be subject to great fluctuations. The gold and precious-metal market is relatively limited and generally unregulated and gold and precious-metal sources are concentrated in countries that are potentially unstable. These specific risks increase the volatility of the security prices of issuers in this industrial sector.

- Emerging nations

As many gold and precious-metal issuers are located in emerging nations, the Sub-Fund is permitted to invest in securities from emerging nations. Such investments involve risks and special requirements that are not typically associated with investments in established economic areas or stock markets. The following risks may apply: (a) the risk of nationalisation or expropriation or taxation of similar effect to expropriation; (b) social, economic and political uncertainties including war; (c) dependence on exports and the associated dependence on international trade; (d) price fluctuations, less liquidity and lower market capitalisation; (e) changes in the exchange rates; (f) inflation rates (including hyperinflation); (g) control of foreign investments and restrictions on capital repatriation and the possibility for investment funds to convert the local currency into US dollars; (h) state regulation and control of the market; (i) government decisions to no longer proceed with economic reforms and to

introduce centrally managed economic models; (j) differences regarding the financial reporting and the reporting of the auditors, which may result in lack or unavailability of information on issuers; (k) less far-reaching regulation of the financial markets; (l) longer deadlines for securities transactions; (m) less well-developed corporate law regarding fiduciary duties of the employees and managing director and regarding protection of the investors; and (n) the securities and liquid assets from the Sub-Fund's portfolio being managed not by U.S. subcustodians and by other depositaries.

#### - Diversification

The portfolio of the Sub-Fund is not designed to have a broad diversification of industrial sectors or types of investment. As a result, the value of the Sub-Fund's investments is subject to greater fluctuations than would be the case if the Sub-Fund was obliged to exhibit a greater diversification with regard to the industrial sector and types of investment.

Potential investors should therefore be aware of all the risks that are involved in investing in this Sub-Fund and should seek advice from their personal investment consultant as required. Potential investors should under no circumstances invest their entire assets in this sub-fund.

No guarantee can be given that the investment objective of the Sub-Fund will be achieved.

Additional information on the classification of this Sub-Fund under the German Investment Taxation Act (InvStG)

This Sub-Fund is an equity-based fund as defined under Section 2 (6) of the German Investment Taxation Act (InvStG).

At least 50% of the value of the Sub Fund's assets according to Section 2 (9) of InvStG are invested in equity participations as defined under Section 2 (8) of the German Investment Taxation Act (InvStG).

#### Profile of the typical investor

This Sub-Fund is aimed at private and institutional investors looking to make a long-term investment and able to estimate the risks of such an investment. Investments on the part of private investors may only be performed through nominee banks that subscribe to units in their own name but on behalf of the particular investor. Endeavouring to achieve potential long-term and stable returns may result in fluctuations in relation to the markets in which the Sub-Fund invests.

#### Term, currency and net asset value calculation

- 1) The term of the Sub-Fund is unlimited.
- 2) The currency of the Sub-Fund ("Reference Currency") is the US dollar (USD).
- 3) Net asset value and issue and redemption price are calculated on each bank working day (the "Valuation Day") in the currency of the particular share class. If a Valuation Day does not fall on a bank working day, the net asset value and issue and redemption price are calculated on the following bank working day.
- 4) The applicable cut-off time is 12.00 p.m., Luxembourg time, on the last bank working day before the Valuation Day.
- 5) The issue price becomes due for payment within two bank working days after the corresponding Valuation Day. The redemption price is paid fundamentally two bank working days after the corresponding Valuation Day in return for the return of the units.

The particular unit value is calculated by the management company or by a third-party commissioned by the management company on each Valuation Day under the supervision of the depositary. The Sub-Fund and its share classes are calculated by dividing the net Sub-Fund assets of the particular share class by the number of units of this share class that are in circulation on the Valuation Day.

Redemption requests, purchase orders and conversion orders ("Orders") that the registration and transfer agent receives at the latest by 12.00 p.m. (Luxembourg time) on a Valuation Day are settled on the basis of the following Valuation Day. Orders that the registration and transfer agent receives after 12.00 p.m. (Luxembourg time) are settled on the basis of the unit value of the second following Valuation Day.

The management company reserves the right to extend the time period for payment of the redemption price up to a maximum of five bank working days insofar as this is necessary as the result of delays in the payments of proceeds from investment disposals to the fund due to stock exchange control regulations or similar market restrictions on the market on which a considerable quantity of the fund's assets are invested, or in exceptional circumstances in which the fund is not able to pay the redemption price within three bank working days.

At the time of the filing of the subscription application, conversion order and/or redemption order the investor is not aware of the net asset value of the particular sub-fund. The management company may reject a subscription application at its discretion (for example if the investor is suspected of market timing activities) or temporarily restrict, suspend or permanently terminate the issue of units, provided that this appears necessary in the interest of all investors, for the protection of the management company, for the protection of a sub-fund, in the interest of the investment policy or in the event of a threat to the specific investment objective of a sub-fund.

### Description of the units

Different share classes are issued in connection with the Sub-Fund.

Share class A is open to all institutional investors and private investors via nominee banks that are prepared to make the particular required minimum investment.

Share class I is exclusively open to institutional investors.

Share class T and share class W are exclusively reserved for selected investors as selected by the management company in individual cases with prior agreement from a managing director of the management company. The management company has the sole authority to decide on approval to this share class.

For all share classes (share classes A, I, T and W) the income is distributed ("Distribution Classes").

For those Share Classes which are not denominated in USD, the reference currency of the Sub-Fund, currency hedging is carried out at Share Class level under normal market conditions. This will be done in accordance with the standards published by the European Securities and Markets Authority (ESMA) on 30 January 2017 (ESMA34-43-296, paragraph 27).

### Issue and redemption price

1) The issue price per unit corresponds to the net asset value per unit.

For share class A a subscription fee of up to 2.00% can be charged on the issue price in favour of the particular intermediary.

2) The redemption price corresponds to the net asset value per unit. No redemption fee is charged.

### Fees and costs

The fees and costs are calculated and paid in accordance with section 21 of the sales prospectus, "Fees, costs and cost distribution."

The Management Company fee up to a maximum of 0.10% p.a. of the net assets of all share classes. The management company fee is calculated for the net Sub-Fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The Management Company fee is subject to VAT as applicable.

The portfolio manager fee is up to 1.75% p.a. for share class A and up to 1.00% p.a. for share classes I, T and W. The portfolio manager fee is calculated daily on the basis of the net Sub-Fund assets of the relevant share class on the previous Valuation Day and is paid on a monthly basis for the previous month. The portfolio manager fee is subject to VAT as applicable.

Aside from this remuneration, share classes A, I, T and W incur the remaining fees listed in section 21.1 of the sales prospectus and the costs named in section 21.2 of the sales prospectus, whereby the cost distribution is performed in accordance with the principles named in section 21.3.

The depositary receives a remuneration from the Sub-Fund assets of up to 0.04% p.a. per share class that is calculated for the net sub-fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The depositary remuneration is subject to VAT as applicable.

The central administration agent receives a remuneration from the Sub-Fund assets of up to 0.08% p.a. per share class that is calculated for the net sub-fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The central administration agent remuneration is subject to VAT as applicable.

#### **Investment adviser**

The Portfolio Manager is advised by Sprott Asset Management USA Inc., domiciled at 1910 Palomar Point Way, Suite 200 Carlsbad, CA 92008 (USA) ("Investment Advisor"), at its own expense and control, on the investment of the Sub-fund's assets. The Portfolio Manager is not bound by the Investment Advisor's proposals and makes the sole decision on the investment of the Sub-Fund's assets.

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This annex to the prospectus was compiled in January 2020.

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## Solidum-Falcon Insurance Linked Strategy Fund

<b>ISIN:</b>	Share class A (USD): LU0524669891 Share class A (EUR): LU0524669974 Share class A (CHF): LU0524670048 Share class F (USD): LU2016225810 Share class F (EUR): LU2016225901 Share class F (CHF): LU2016226032 Share class I (USD): LU0524670121 Share class I (EUR): LU0524670394 Share class I (CHF): LU0524670477  Share class T (EUR): LU0961411492
<b>WKN:</b>	Share class A (USD): A1CUPD Share class A (EUR): A1CUPE Share class A (CHF): A0YC0H Share class F (USD): A2PMP6 Share class F (EUR): A2PMP7 Share class F (CHF): A2PMP8 Share class I (USD): A0YCLD Share class I (EUR): A1W70Y Share class I (CHF): A1CU21 Share class T (EUR): A1W70Z
<b>Reference currency of the Sub-Fund:</b>	USD (US dollar)
<b>Share class currency:</b>	Share class A (USD): USD Share class A (EUR): EUR Share class A (CHF): CHF  Share class F (USD): USD Share class F (EUR): EUR Share class F (CHF): CHF  Share class I (USD): USD Share class I (EUR): EUR Share class I (CHF): CHF  Share class T (EUR): EUR
<b>Initial issue price:</b>	Share classes A: USD 100, EUR 100 or CHF 100, Share classes F: USD 100, EUR 100 or CHF 100 Share classes I: USD 100, EUR 100 or CHF 100, Share classes T: EUR 100, CHF 100, GBP 100
<b>Minimum subscription sum for initial subscription:</b>	Share classes A: USD 125,000, EUR 125,000 or CHF 125,000 for customers that are not professional customers,

<b>Initial issue:</b>	Share classes F: USD 20,000,000, EUR 20,000,000, CHF 20,000,000
	Share classes I: USD 1,000,000, EUR 1,000,000 or CHF 1,000,000,
	Share classes T: EUR 1,000,000,
	Share classes A and I: September 1, 2010, up to and including December 06, 2010
	Share classes T: October 25, 2013
	Share classes F: August 1, 2019

### Investment objectives and investment policy

The objective of the investment policy of the Solidum-Falcon Insurance Linked Strategy Fund (the “Sub-Fund”) mainly involves achieving a money market yield in the reference currency of the Sub-Fund and an appropriate risk premium by investing in a portfolio of debt instruments linked with an insurance event (“Insurance-Linked Securities”, “ILS” or “Cat Bonds”).

Furthermore, a low correlation between the returns and the bond and stock markets and a lower fluctuation of the investment values than that of long-term bond investments are fundamentally aimed for.

No guarantee can be given that the investment objective of the Sub-Fund will be achieved. Accordingly, the value of the units and their yield may increase and also decrease. The management company has namely no influence on the occurrence of the insurance events linked to the Cat Bonds.

#### I.

The Sub-Fund’s assets are, after deduction of the liquid assets, predominantly invested in debt securities and debt claims (e.g. bonds, notes, preference shares), from issuers worldwide, (i) that are linked to the occurrence of an insurance event, (ii) that are denominated in a freely convertible currency, (iii) that are approved for official listing on a stock exchange or listed or traded on another regulated market and (iv) that are categorised as securities under the terms of article 41(1) of the Law of 2010.

As the insurance events are general major events, ILS are commonly referred to as “cat bonds” (short for “catastrophe-linked bonds”).

An “insurance event” is classified as an event that occurs in a particular way, at a particular place and at a particular time and that triggers insurance payments. Therefore, it is also decisive whether the respective ILS is in its individual risk period (“Loss Occurrence Period”), i.e. in the period in which the occurrence of an event can potentially be regarded as a loss event and can therefore have a negative impact on future cash flows. For ILS, the periodic payments (coupon) and/or the capital repayments are dependent on an insurance event.

The portion of direct investments in ILS that are based on the same direct independent insurance event can be no more than 50%. For diversification reasons, the Sub-Fund must invest in at least five independent insurance events. An insurance event is referred to as “direct” if a capital payment is made to the insured party after the first contractually defined insurance event. The next insurance event to occur poses a direct hazard. ILS cover insurance events that are fundamentally independent of one another: For example, it can be assumed that there is no correlation between earthquakes in California, earthquakes in Japan and storms in Europe. Independent categories can thus be allocated to ILS. Seasonal insurance events occur only at certain times for climate-related reasons. Examples of this include winter storms in Europe, typhoons in Japan, “willy-willies” in Australia, cyclones in India and hurricanes in America. On the basis of the amount of historical data available and also the official jurisdictions (state determination of a risk period), it has so far been possible to clearly demarcate the seasonal event risk only for America. The Sub-Fund therefore currently only treats hurricanes as seasonal insurance events. Hurricanes only occur above a steady sea-surface temperature of 26.5 °C, which clearly only occurs in the official hurricane season. Additionally, ILS that cover exceptional risks are only affected by exceptionally severe hurricanes. The official hurricane season of the USA lasts from June 1 to November 30.

The portion of ILS in the Sub-Fund that is based on the same direct independent insurance event can be no more than 30%. An insurance event is referred to as “indirect” if capital payments are not made to the insured party until the second or third

contractually defined insurance event, rather than after the first. An ILS covers, for example, the insurance event “industrial storm damage, France”: The first event with damage of over €5bn is not covered; capital payments are made only when the second event with damage of over €5bn occurs. This model can be applied if an insured party is able to bear the costs of the first damage but does not have adequate financial means for a second occurrence of damage. Direct and indirect insurance events are fundamentally independent of one another. As soon as the condition of the first insurance event has occurred, indirect insurance events become direct ones.

An ILS makes it possible to invest in independent insurance events that are independent from one another in accordance with their underlying risk factors. This increases the diversification of the Sub-Fund. For example, the risk factor of an ILS that covers earthquakes in Japan is independent from an ILS that covers storms in Europe. Accordingly, it is statistically highly unlikely that all of the Sub-Fund’s capital will be lost as the result of one single event.

There are two main reasons for this:

- An event risk is covered by multiple ILS.

An individual ILS must not exceed 10% of a Sub-Fund’s assets. Weighted event risks are therefore covered by multiple ILS. As these events will have varied geographical focal points, such as France, Germany and Britain, and other differences in their particular form, additional diversification can be achieved. A storm would have to have an unprecedented scale and accuracy to be able to cause the entire capital of *all* ILS of the category “storm, Europe” to be paid out simultaneously.

- Many ILS are taken into account in the limit calculation multiple times

While some ILS only cover a single event risk and a total loss is to be expected roughly once every 100 years, there are many ILS that cover multiple event risks cumulatively at the same time. If this involves, for example, three event risks (for example “storm, Europe,” “earthquake, USA” and “earthquake, Japan”), one of these event risks occurs roughly every 100 years and results in a total loss. The probability of the individual event risk occurring, however, is only once every 300 years. This ILS is assigned to each event risk at a rate of 100%, thus being incorporated into the limit calculation at 300%. This means that the limit of the event risk is quickly reached without the deeper probability of occurrence being taken into account. “Storm, Europe” thus also includes ILS that are only likely to experience a total loss roughly every 300 years, which further increases the diversification.

The Fund will seek an appropriate diversification of insurance risks by monitoring the probable maximum loss (PML). The PML is a well-established indicator in the reinsurance industry and indicates the amount of a possible loss with a given probability of occurrence of 99%. In order to manage significant drawdowns from individual catastrophic events, the PML from each particular region is limited to 20% of the Sub-Fund’s NAV, except that for one region, the limit is 35% of the Sub-Fund’s NAV.

The cumulative market value per sponsor may not exceed 20% of the NAV of the Sub-Fund, except that for one sponsor the limit is 35% of the NAV of the Sub-Fund.

**For the purpose of clarity, it should be noted that the Sub-Fund may also invest in other types of risks associated with insurance than those given as examples above, for example in risks relating to life (such as pandemic mortality), health risks, traffic risks and other statistical risks. The Sub-Fund may not, however, invest in endowment insurance policies.**

## II.

Additionally, the Sub-Fund’s assets can be invested as follows:

- 1) as indirect investments in ILS in the form of:
  - a) units in open-ended investment funds, or other open-ended undertakings for collective investment with a similar function, whose units are periodically redeemed or repurchased on the basis of their asset value and that are subject to adequate official supervision comparable with the CSSF in their state of origin, and
  - b) units in closed-end investment funds, investment companies or other closed-end undertakings for collective investment with a similar function, insofar as the units or notes are categorised as securities under the terms of article 41(1) of

the Law of 2010, and are traded on an exchange, or another regulated market that is open to the public, that is specialised in investments in ILS;

- 2) as short-term liquid investments in the form of:
  - a) moneys placed as investments with domestic or foreign banks as sight or term deposits (maximum 12 months), including fiduciary investments with banks abroad (whereby the depositary makes the investments as fiduciary and at the fund's risk) denominated in a freely convertible currency, and
  - b) money market instruments of issuers worldwide denominated in a freely convertible currency.
  - c) money market funds denominated in a freely convertible currency.

Fundamentally, the Sub-Fund may acquire units in other UCITS and/or UCIs only up to a rate of 10% of its net asset value. The UCITS and/or UCIs ("target funds") bought each pursue their own investment strategies and may be subject to different investment restrictions.

The investment fund or investment undertakings pursuant to no. 1 above can partly cover insurance risks, in addition to investments in ILS of good quality, by deploying derivative financial instruments and raise outside capital. They can namely be investment funds under contract law, investment funds under company law, unit trusts or limited partnerships. Indirect investments via other investment funds or investment undertakings can be made to improve the risk distribution of the Sub-Fund's investments.

### III.

The Sub-Fund may also, to ensure adequate liquidity, hold liquid assets in the reference currency and in all investment currencies of the Sub-Fund.

The Sub-Fund may temporarily raise credit up to a rate of 10% of its assets in each case, insofar as the depositary agrees to this raising of credit and its conditions.

The Sub-Fund may also, within the limits imposed by the Law of 2010, hedge a currency translation risk by concluding forward transactions (futures and forwards) and currency swap transactions and by buying and selling put or call options on currencies and currency futures.

No securities financing transactions (such as securities lending transactions and repurchase agreements) are performed for the Sub-Fund.

#### **Special risk information for Insurance-Linked Securities (ILS) and Cat Bonds**

ILS and Cat Bonds may be acquired for the Sub-Fund. Cat Bonds are often short-term bonds with terms of up to 3 years; they may also however have longer terms. Depending on the level of risk, Cat Bonds can achieve an attractive level of interest, comparable with high-yield bonds.

ILS and Cat Bonds are used by insurance companies and other industrial companies to cover obligations via the capital market that they incur when insured events take place. The clear, binding demarcation of the performance required—on the one hand directly as insurance company, on the other as Insurance-Linked Security—when a pre-defined insurance event occurs is generally achieved by means of the legal structure of a special purpose vehicle (SPV). The investor in a cat bond pays the nominal value or the full covering capital into the SPV at the time of issue. This sum is invested via a collateral account, generally in government securities. The insured party periodically pays an insurance premium to the SPV. The investor in the cat bond periodically receives a coupon payment roughly made up of the interest income of the collateral account (e.g. Libor) plus the insurance premium (annually, for example, 350 basis points or 3.5%). In addition to the coupon payments, the SPV normally also ensures the repayment of the nominal capital. If a precisely defined insurance event occurs, the SPV must pay the agreed cover to the insured party. Any remainder is allocated back to the investor. The size of the insurance premium is dependent of the event and how likely it is to occur. If the event does not occur, the full investment sum is repaid at the end of the term; if the event does occur, this may result in late payment, partial loss or even total loss of the investment sum.

Beyond the structuring by means of SPV, Cat Bonds can be issued that are not structured by means of SPV. This means that these Cat Bonds are issued by an issuer directly (not by an SPV). There is a risk of the issuer not (or no longer) being able to fulfil its payment duties (issuer risk) and a partial or total loss thus occurring as the result of both the particular insurance event and the issuer's creditworthiness. To restrict the issuer risk, Cat Bonds without SPV are only acquired from selected issuers. These selected issuers currently include:

#### The International Bank for Reconstruction and Development (IBRD)<sup>3</sup>

Thus far, the IBRD has issued Cat Bonds for example in connection with the "capital at risk" program created in 2014. One of the aims of this program is to transfer risks associated with natural disasters or pandemics from developing countries to capital markets. Bonds issued in connection with this program offer investors a different risk/income profile than regular IBRD bonds, as investors may lose part or all of their investment.

The portfolio manager's key task is to distribute the risk through adequate, broad diversification of the investments. There is no systematic relationship between the insurance events named in the investment policy, and thus fundamentally no correlation can be expected. Moreover, for each insurance event, investments are made as far as possible in multiple ILS with differently structured details (for example "hurricane in Texas," "earthquake in Tokyo," "storm in Europe").

Some of the main criteria for risk distribution include:

- diversification based on insurance events and region.
- diversification based on the sequence of insurance events.
- diversification based on the way the damage is ascertained (the "Trigger Mechanism")
- diversification based on various sponsors of the ILS (such as insurance providers, reinsurance companies and other industrial companies (energy suppliers, telecommunication, film industry, etc.)).

In addition to the event risk, there is a model risk concerning whether the model accurately reflects the likelihood of occurrence and the amount of damage caused by the natural event. Stress tests within the models and the application of multiple models that are as independent from one another as possible help to minimise these risk components. For the individual predefined insurance event there may be a low risk of occurrence and thus risk may also apply for the repayment of capital from the perspective of the cat bond/ILS investor. The total effect of such risk should however be limited at two levels:

- 1) through the size of the allocation in this investment segment, and
- 2) through the diversification within the ILS/cat bond target fund and its risk/return management.

#### Term, currency and net asset value calculation

- 1) The term of the Sub-Fund is unlimited.
- 2) The currency of the Sub-Fund ("Reference Currency") is USD (US dollar).
- 3) Net asset value and issue and redemption price are calculated on the Monday of each week, provided that this day is a bank working day. If this day is not a bank working day, valuation will be performed on the next bank working day (the "Valuation Day"). If the last bank working day of each fund business year is not a valuation day, an additional valuation is made on the last bank working day of each fund business year end, whereas no units are issued or redeemed on the basis of this additional valuation. If the record date for the semi-annual report (30 June) is not a Valuation Day, a valuation is also carried out on the last bank working day before each record date for the semi-annual report, whereby no shares are issued or redeemed on the

<sup>3</sup> The International Bank for Reconstruction and Development (IBRD) is part of the World Bank Group and is the World Bank in the strict sense. The main task of the IBRD is to promote the economic development in countries whose economies are developing or in transition. Focus is given to eradicating poverty, environmental protection and the promotion of private-sector development. Like the International Monetary Fund (IMF), the World Bank is a specialised agency of the United Nations.

basis of the additional valuation in this case. The Sub-Fund and its share classes are calculated by dividing the net Sub-Fund assets of the particular share class by the number of units of this share class that are in circulation on the Valuation Day.

- 4) The applicable cut-off time is 12.00 p.m., Luxembourg time, on the last Tuesday before the Valuation Day. If this Tuesday is not a bank working day, the cut-off time is shifted to the previous bank working day.
- 5) The calculation of the net asset value and issue and redemption price is performed no later than on the second bank working day in Luxembourg after the Valuation Day and is based on the prices available for the total assets of the Sub-Fund on the Valuation Day.
- 6) The issue price becomes due for payment within three bank working days after the corresponding Valuation Day. The redemption price is paid fundamentally three bank working days after the corresponding Valuation Day in return for the return of the units.

The particular unit value is calculated by the management company or by a third-party commissioned by the management company under the supervision of the depositary on each Valuation day. The Sub-Fund and its share classes are calculated by dividing the net Sub-Fund assets of the particular share class by the number of units of this share class that are in circulation on the Valuation Day.

Redemption requests, purchase orders and conversion orders (“Orders”) that the registration and transfer agent receives at the latest by 12.00 p.m. (Luxembourg time) on the last Tuesday before the respective Valuation Day are settled on the basis of the unit value of this Valuation Day. Orders that the registration and transfer agent receives after 12.00 p.m. (Luxembourg time) on the last Tuesday before the respective Valuation Day are calculated on the basis of the unit value of the following Valuation Day. If this Tuesday is not a bank working day, the cut-off time is shifted to the previous bank working day.

The management company reserves the right to extend the time period for payment of the redemption price up to a maximum of five bank working days insofar as this is necessary as the result of delays in the payments of proceeds from investment disposals to the fund due to stock exchange control regulations or similar market restrictions on the market on which a considerable quantity of the fund’s assets are invested, or in exceptional circumstances in which the fund is not able to pay the redemption price within three bank working days.

At the time of the filing of the subscription application, conversion order and/or redemption order the investor is not aware of the net asset value of the particular sub-fund. The management company may reject a subscription application at its discretion (for example if the investor is suspected of market timing activities) or temporarily restrict, suspend or permanently terminate the issue of units, provided that this appears necessary in the interest of all investors, for the protection of the management company, for the protection of a sub-fund, in the interest of the investment policy or in the event of a threat to the specific investment objective of a sub-fund.

Market circumstances may cause the capacity of the Sub-Fund to be restricted such that new subscriptions (and also regroupings) in the Sub-Fund cannot be effected or can only be effected in re-allocated form, i.e. to a restricted degree (see section 17.4).

#### **Additional information on the classification of this Sub-Fund under the German Investment Taxation Act (InvStG)**

This sub-fund is an investment fund without partial exemption.

#### **Profile of the typical investor**

This fund is aimed at private and institutional investors looking to make a long-term investment and able to estimate the risks of such an investment. Investments on the part of private investors may only be performed through nominee banks that subscribe to units in their own name but on behalf of the particular investor. Endeavouring to achieve potential long-term and stable returns may result in fluctuations in relation to the markets in which the Sub-Fund invests.

#### **Description of the units**

Different share classes are issued in connection with the Sub-Fund.

Share classes A and share classes I are open to all institutional investors and private investors via nominee banks that are prepared to make the particular required minimum investment. Share classes I have a higher minimum investment and lower portfolio manager fee and are typically, but not exclusively, geared toward institutional investors.

Share classes T are exclusively reserved for selected investors as selected by the management company in individual cases. The management company has the sole authority to decide on approval to these share classes.

Share classes F are reserved exclusively for institutional investors.

For the share classes (share classes A, F, I and T) the income is distributed (“Distribution Classes”).

For the share classes that are denominated in the Sub-Fund’s Reference Currency rather than in USD, currency hedging is performed at unit-class level under normal market conditions. This is done in observance of the standards published by the European Securities and Markets Authority (ESMA) published on January 30, 2017 (ESMA34-43-296 Tz. 27).

#### **Issue and redemption price**

- 1) The issue price per unit corresponds to the net asset value per unit. For share class A, a sales charge of up to 2.00% can additionally be charged in favour of the particular intermediary.
- 2) The redemption price corresponds to the net asset value per unit. No redemption fee is charged.
- 3) Payments are made in the Reference Currency within three bank working days after the Valuation Day.

#### **Fees and costs**

The fees and costs are calculated and paid in accordance with section 21 of the sales prospectus, “Fees, costs and cost distribution.”

The Management Company fee up to a maximum of 0.10% p.a. of the net assets of each share class. The management company fee is calculated for the net Sub-Fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The Management Company fee is subject to VAT as applicable.

The portfolio manager fee is for this Sub-Fund up to 1.50% p.a. for share class A and up to 0.90% p.a. for the share classes I and T and up to 0.75% for the share classes F. The investment manager fee is calculated daily on the basis of the net Sub-Fund assets of the relevant share class and is paid on a monthly basis for the previous month. The investment manager fee is subject to VAT as applicable.

The depositary receives a remuneration from the Sub-Fund assets of up to 0.04% p.a. per share class that is calculated for the net sub-fund assets of the relevant share class on a daily basis and is paid on a monthly basis for the previous month. The depositary remuneration is subject to VAT as applicable.

The central administration agent receives a remuneration from the Sub-Fund assets of up to 0.08% p.a. per share class that is calculated for the net sub-fund assets of the relevant share class on a daily basis and is paid on a monthly basis for the previous month. The central administration agent remuneration is subject to VAT as applicable.

Beyond this remuneration, the Sub-Fund only has to bear the fees and costs listed in sections 20.1 and 20.2 of the sales prospectus and correspondingly the cost distribution named in section 20.3.

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This annex to the prospectus was compiled in January 2020.

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## Solidum-Falcon Insurance Opportunities Fund

<b>ISIN:</b>	Share class F (USD): LU2016225570 Share class F (EUR): LU2016225653 Share class F (CHF): LU2016225737 Share class I (USD): LU0961411732 Share class I (EUR): LU0961411815 Share class I (CHF): LU0961411906
<b>WKN</b>	Share class F (USD): A2PMP3 Share class F (EUR): A2PMP4 Share class F (CHF): A2PMP5 Share class I (USD): A1W705 Share class I (EUR): A1W706 Share class I (CHF): A1W707
<b>Reference currency of the Sub-Fund:</b>	USD (US dollar)
<b>Share class currency:</b>	Share class F (USD): USD Share class F (EUR): EUR Share class F (CHF): CHF Share class I (USD): USD Share class I (EUR): EUR Share class I (CHF): CHF
<b>Initial issue price:</b>	Share classes F: USD 100, EUR 100 or CHF 100 Share classes I: USD 100, EUR 100 or CHF 100,
<b>Minimum subscription sum for initial subscription:</b>	Share classes F: USD 20,000,000, EUR 20,000,000, CHF 20,000,000 Share classes I: USD 1,000,000, EUR 1,000,000 or CHF 1,000,000,
<b>Initial issue:</b>	Share classes I: August 1 to September 1, 2013  Share classes F: August 1, 2019

### Investment objectives and investment policy

The objective of the investment policy of the Solidum-Falcon Insurance Opportunities Fund (the “Sub-Fund”) mainly involves achieving a money market yield in the Reference Currency of the Sub-Fund and an appropriate risk premium by investing in a portfolio of debt instruments linked with an insurance event (“Insurance-Linked Securities”, “ILS” or “Cat Bonds”). Investments are made in those market segments that currently provide the most attractive yield opportunities. This means that the particular market segments may also be focused on.

Furthermore, a low correlation between the returns and the bond and stock markets and a lower fluctuation of the investment values than that of long-term bond investments are fundamentally aimed for.

No guarantee can be given that the investment objective of the Sub-Fund will be achieved. Accordingly, the value of the units and their yield may increase and also decrease. The management company has namely no influence on the occurrence of the insurance events linked to the Cat Bonds.

#### I.

The Sub-Fund's assets are, after deduction of the liquid assets, predominantly invested in debt securities and debt claims (e.g. bonds, notes, preference shares), from issuers worldwide, (i) that are linked to the occurrence of an insurance event, (ii) that are denominated in a freely convertible currency, (iii) that are approved for official listing on a stock exchange or listed or traded on another regulated market and (iv) that are categorised as securities under the terms of article 41(1) of the Law of 2010.

As the insurance events are general major events, ILS are commonly referred to as "cat bonds" (short for "catastrophe-linked bonds").

An "insurance event" is classified as an event that occurs in a particular way, at a particular place and at a particular time and that triggers insurance payments. Therefore, it is also decisive whether the respective ILS is in its individual risk period ("Loss Occurrence Period"), i.e. in the period in which the occurrence of an event can potentially be regarded as a loss event and can therefore have a negative impact on future cash flows. For ILS, the periodic payments (coupon) and/or the capital repayments are dependent on an insurance event.

The assets of the Sub-Fund may be invested in direct and indirect independent insurance events. For diversification reasons, the Sub-Fund must invest in at least five independent insurance events.

An insurance event is referred to as "direct" if a capital payment is made to the insured party after the first contractually defined insurance event. The first insurance event to occur poses a direct hazard. ILS cover insurance events that are fundamentally independent of one another: For example, it can be assumed that there is no correlation between earthquakes in California, earthquakes in Japan and storms in Europe. Independent categories can thus be allocated to ILS. Seasonal insurance events occur only at certain times for climate-related reasons. Examples of this include winter storms in Europe, typhoons in Japan, "willy-willies" in Australia, cyclones in India and hurricanes in America. On the basis of the amount of historical data available and also the official jurisdictions (state determination of a risk period), it has so far been possible to clearly demarcate the seasonal event risk only for America. The Sub-Fund therefore currently only treats hurricanes as seasonal insurance events. Hurricanes only occur above a steady sea-surface temperature of 26.5 °C, which clearly only occurs in the official hurricane season. Additionally, ILS that cover exceptional risks are only affected by exceptionally severe hurricanes. The official hurricane season of the USA lasts from June 1 to November 30.

An insurance event is referred to as "indirect" if capital payments are not made to the insured party until the second or third contractually defined insurance event, rather than after the first. An ILS covers, for example, the insurance event "industrial storm damage, France": The first event with damage of over €5bn is not covered; capital payments are made only when the second event with damage of over €5bn occurs. This model can be applied if an insured party is able to bear the costs of the first damage but does not have adequate financial means for a second occurrence of damage. Direct and indirect insurance events are fundamentally independent of one another. As soon as the condition of the first insurance event has occurred, indirect insurance events become direct ones.

An ILS makes it possible to invest in independent insurance events that are independent from one another in accordance with their underlying risk factors. This increases the diversification of the Sub-Fund. For example, the risk factor of an ILS that covers earthquakes in Japan is independent from an ILS that covers storms in Europe. Accordingly, it is statistically highly unlikely that all of the Sub-Fund's capital will be lost as the result of one single event. There is one main reason for this:

- An event risk is covered by multiple ILS.

An individual ILS must not exceed 10% of a Sub-Fund's assets. Weighted event risks are therefore covered by multiple ILS. As these events will have varied geographical focal points, such as France, Germany and Britain, and other differences in their particular form, additional diversification can be achieved. A storm would have to have an unprecedented scale and accuracy to be able to cause the entire capital of *all* ILS of the category "storm, Europe" to be paid out simultaneously.

The Fund will seek an appropriate diversification of insurance risks by monitoring the probable maximum loss (PML). The PML is a well-established indicator in the reinsurance industry and indicates the amount of a possible loss with a given probability of occurrence of 99%. In order to manage significant drawdowns from individual catastrophic events, the PML from each particular region is limited to 20% of the Sub-Fund's NAV, except that for one region respectively the limit is 35% of the Sub-Fund's NAV.

The cumulative market value per sponsor may not exceed 20% of the NAV of the Sub-Fund, except that for one sponsor the limit is 35% of the NAV of the Sub-Fund.

**For the purpose of clarity, it should be noted that the Sub-Fund may also invest in other types of risks associated with insurance than those given as examples above, for example in risks relating to life (such as pandemic mortality), health risks, traffic risks and other statistical risks. The Sub-Fund may not, however, invest in endowment insurance policies.**

## II.

Additionally, the Sub-Fund's assets can be invested as follows:

- 1) as indirect investments in ILS in the form of:
  - a) units in open-ended investment funds, or other open-ended undertakings for collective investment with a similar function, whose units are periodically redeemed or repurchased on the basis of their asset value and that are subject to adequate official supervision comparable with the CSSF in their state of origin, and
  - b) Units in closed-end investment funds, investment companies or other closed-end undertakings for collective investment with a similar function, insofar as the units or notes are categorised as securities under the terms of article 41(1) of the Law of 2010, and are traded on an exchange, or another regulated market that is open to the public, that is specialised in investments in ILS.
- 2) as short-term liquid investments in the form of
  - a) moneys placed as investments with domestic or foreign banks as sight or term deposits (maximum 12 months), including fiduciary investments with banks abroad (whereby the depositary makes the investments as fiduciary and at the fund's risk) denominated in a freely convertible currency,
  - b) money market instruments of issuers worldwide denominated in a freely convertible currency, and
  - c) money market funds denominated in a freely convertible currency.

Fundamentally, the Sub-Fund may acquire units in other UCITS and/or UCIs only up to a rate of 10% of its net asset value. The UCITS and/or UCIs ("target funds") bought each pursue their own investment strategies and may be subject to different investment restrictions.

The investment fund or investment undertakings pursuant to no. 1 above can partly cover insurance risks, in addition to investments in ILS of good quality, by deploying derivative financial instruments and raise outside capital. They can namely be investment funds under contract law, investment funds under company law, unit trusts or limited partnerships. Indirect investments via other investment funds or investment undertakings can be made to improve the risk distribution of the Sub-Fund's investments.

## III.

The Sub-Fund may also, to ensure adequate liquidity, hold liquid assets in the reference currency and in all investment currencies of the Sub-Fund.

The Sub-Fund may temporarily raise credit up to a rate of 10% of its assets in each case, insofar as the depositary agrees to this raising of credit and its conditions.

**The Sub-Fund may also, within the limits imposed by the Law of 2010, hedge a currency translation risk by concluding forward transactions (futures and forwards) and currency swap transactions and by buying and selling put or call options**

on currencies and currency futures.

**No securities financing transactions (such as securities lending transactions and repurchase agreements) are performed for the Sub-Fund.**

#### Special risk information for Insurance-Linked Securities (ILS) and Cat Bonds

ILS and Cat Bonds may be acquired for the Sub-Fund. Cat Bonds are often short-term bonds with terms of up to 3 years; they may also however have longer terms. Depending on the level of risk, Cat Bonds can achieve an attractive level of interest, comparable with high-yield bonds.

ILS and Cat Bonds are used by insurance companies and other industrial companies to cover obligations via the capital market that they incur when insured events take place. The clear, binding demarcation of the performance required—on the one hand directly as insurance company, on the other as Insurance-Linked Security—when a pre-defined insurance event occurs is achieved by means of the legal structure of a special purpose vehicle (SPV). The investor in a cat bond pays the nominal value or the full covering capital into the SPV at the time of issue. This sum is invested via a collateral account, generally in government securities. The insured party periodically pays an insurance premium to the SPV. The investor in the cat bond periodically receives a coupon payment roughly made up of the interest income of the collateral account (e.g. Libor) plus the insurance premium (annually, for example, 350 basis points or 3.5%). In addition to the coupon payments, the SPV normally also ensures the repayment of the nominal capital. If a precisely defined insurance event occurs, the SPV must pay the agreed cover to the insured party. Any remainder is allocated back to the investor. The size of the insurance premium is dependent of the event and how likely it is to occur. If the event does not occur, the full investment sum is repaid at the end of the term; if the event does occur, this may result in late payment, partial loss or even total loss of the investment sum.

Beyond the structuring by means of SPV, Cat Bonds can be issued that are not structured by means of SPV. This means that these Cat Bonds are issued by an issuer directly (not by an SPV). There is a risk of the issuer not (or no longer) being able to fulfil its payment duties (issuer risk) and a partial or total loss thus occurring as the result of both the particular insurance event and the issuer's creditworthiness. To restrict the issuer risk, Cat Bonds without SPV are only acquired from selected issuers. These selected issuers currently include:

#### The International Bank for Reconstruction and Development (IBRD)<sup>4</sup>

Thus far, the IBRD has issued Cat Bonds for example in connection with the "capital at risk" program created in 2014. One of the aims of this program is to transfer risks associated with natural disasters or pandemics from developing countries to capital markets. Bonds issued in connection with this program offer investors a different risk/income profile than regular IBRD bonds, as investors may lose part or all of their investment.

The portfolio manager's key task is make investments that have an attractive risk/return profile to achieve the broadest possible diversification of investments.

Some of the main criteria for risk distribution include:

- diversification based on insurance events and region.
- diversification based on the sequence of insurance events.
- diversification based on the way the damage is ascertained (the "Trigger Mechanism")
- Diversification based on various sponsors of the ILS (such as insurance providers, reinsurance companies and other industrial companies (energy suppliers, telecommunication, transport companies, etc.)).

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<sup>4</sup> The International Bank for Reconstruction and Development (IBRD) is part of the World Bank Group and is the World Bank in the strict sense. The main task of the IBRD is to promote the economic development in countries whose economies are developing or in transition. Focus is given to eradicating poverty, environmental protection and the promotion of private-sector development. Like the International Monetary Fund (IMF), the World Bank is a specialised agency of the United Nations.

In addition to the event risk, there is a model risk concerning whether the model accurately reflects the likelihood of occurrence and the amount of damage caused by the natural event. Stress tests within the models and the application of multiple models that are as independent from one another as possible help to minimise these risk components. For the individual predefined insurance event there may be a low risk of occurrence and thus risk may also apply for the repayment of capital from the perspective of the cat bond/ILS investor. The total effect of such risk should however be limited at two levels:

- 1) through the size of the allocation in this investment segment, and
- 2) through the diversification within the ILS/cat bond target fund and its risk/return management.

#### **Term, currency and net asset value calculation**

- 1) The term of the Sub-Fund is unlimited.
- 2) The currency of the Sub-Fund (“Reference Currency”) is USD (US dollar).
- 3) Net asset value and issue and redemption price are calculated on the Monday of each week (the “Valuation Day”), provided that this day is a bank working day. If this day is not a bank working day, valuation will be performed on the next bank working day (the “Valuation Day”). If the last bank working day of each fund business year is not a valuation day, an additional valuation is made on the last bank working day of each fund business year end, whereas no units are issued or redeemed on the basis of this additional valuation. . If the record date for the semi-annual report (30 June) is not a Valuation day, a valuation is also carried out on the last bank working day before each record date for the semi-annual report, whereby no shares are issued or redeemed on the basis of the additional valuation in this case. The Sub-Fund and its share classes are calculated by dividing the net Sub-Fund assets of the particular share class by the number of units of this share class that are in circulation on the Valuation Day.
- 4) The applicable cut-off time is 12.00 p.m., Luxembourg time, on the last Tuesday before the Valuation Day. If this Tuesday is not a bank working day, the cut-off time is shifted to the previous bank working day.
- 5) The calculation of the net asset value and issue and redemption price is performed no later than on the second bank working day in Luxembourg after the Valuation Day and is based on the prices available for the total assets of the Sub-Fund on the Valuation Day.
- 6) The issue price becomes due for payment within three bank working days after the corresponding Valuation Day. The redemption price is paid fundamentally three bank working days after the corresponding Valuation Day in return for the return of the units.

Redemption requests, purchase orders and conversion orders (“Orders”) that the registration and transfer agent receives at the latest by 12.00 p.m. (Luxembourg time) on the last Tuesday before the respective Valuation Day are settled on the basis of the unit value of this Valuation Day. Orders that the registration and transfer agent receives after 12.00 p.m. (Luxembourg time) on the last Tuesday before the respective Valuation Day are calculated on the basis of the unit value of the following Valuation Day. If this Tuesday is not a bank working day, the cut-off time is shifted to the previous bank working day.

The management company reserves the right to extend the time period for payment of the redemption price up to a maximum of five bank working days insofar as this is necessary as the result of delays in the payments of proceeds from investment disposals to the fund due to stock exchange control regulations or similar market restrictions on the market on which a considerable quantity of the fund’s assets are invested, or in exceptional circumstances in which the fund is not able to pay the redemption price within three bank working days.

At the time of the filing of the subscription application, conversion order and/or redemption order the investor is not aware of the net asset value of the particular sub-fund. The management company may reject a subscription application at its discretion (for example if the investor is suspected of market timing activities) or temporarily restrict, suspend or permanently terminate the issue of units, provided that this appears necessary in the interest of all investors, for the protection of the management company, for the protection of a sub-fund, in the interest of the investment policy or in the event of a threat to the specific investment objective of a sub-fund.

Market circumstances may cause the capacity of the Sub-Fund to be restricted such that new subscriptions (and also regroupings) in the Sub-Fund cannot be effected or can only be effected in re-allotted form, i.e. to a restricted degree (see section 17.4).

#### **Additional information on the classification of this Sub-Fund under the German Investment Taxation Act (InvStG)**

This sub-fund is an investment fund without partial exemption.

#### **Profile of the typical investor**

This Sub-Fund is aimed at private and institutional investors looking to make a long-term investment in securities and able to estimate the risks of such an investment. Investments on the part of private investors may only be performed through nominee banks that subscribe to units in their own name but on behalf of the particular investor. Endeavouring to achieve potential long-term and stable returns may result in fluctuations in relation to the markets in which the Sub-Fund invests.

#### **Description of the units**

Different share classes are issued in connection with the Sub-Fund.

Share classes I are open to all institutional investors and private investors via nominee banks that are prepared to make the particular required minimum investment.

Share classes T are exclusively reserved for selected investors as selected by the management company in individual cases. The management company has the sole authority to decide on approval to these share classes.

Share classes F are reserved exclusively for institutional investors.

For all share classes (share classes F, I and T) the income is distributed ("Distribution Classes").

For the share classes that are denominated in the Sub-Fund's Reference Currency rather than in USD, currency hedging is performed at unit-class level under normal market conditions. This is done in observance of the standards published by the European Securities and Markets Authority (ESMA) published on January 30, 2017 (ESMA34-43-296 Tz. 27).

#### **Issue and redemption price**

- 1) The issue price per unit corresponds to the net asset value per unit. No sales charge is charged.
- 2) The redemption price corresponds to the net asset value per unit. No redemption fee is charged.
- 3) Payments are made in the Reference Currency within three bank working days after the corresponding Valuation Day.

#### **Fees and costs**

The fees and costs are calculated and paid in accordance with section 21 of the sales prospectus, "Fees, costs and cost distribution."

The Management Company fee up to a maximum of 0.10% p.a. of the net assets of each share class. The management company fee is calculated for the net Sub-Fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The Management Company fee is subject to VAT as applicable.

The portfolio manager fee is for this Sub-Fund up to 0.90% p.a. for share classes I and T and up to 0.75% for the share classes F. The portfolio manager fee is calculated daily on the basis of the net Sub-Fund assets of the relevant share class and is paid on a monthly basis for the previous month. The investment manager fee is subject to VAT as applicable.

The depositary receives a remuneration from the Sub-Fund assets of up to 0.04% p.a. per share class that is calculated for the net sub-fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The depositary remuneration is subject to VAT as applicable.

The central administration agent receives a remuneration from the Sub-Fund assets of up to 0.08% p.a. per share class that is calculated for the net sub-fund assets of the relevant share class on a daily basis for the previous Valuation Day and is paid on a monthly basis for the previous month. The central administration agent remuneration is subject to VAT as applicable.

Beyond this remuneration, the Sub-Fund only has to bear the fees and costs listed in sections 20.1 and 20.2 of the sales prospectus and correspondingly the cost distribution named in section 20.3.

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This annex to the prospectus was compiled in January 2020.

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