

# H2O VIVACE FCP

## PROSPECTUS

DATED 29 DECEMBER 2023

### I GENERAL FEATURES

**□ NAME: H2O VIVACE FCP**

Hereinafter referred to in this document as “the Fund” or “the UCITS”.

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

French mutual fund.

**□ INCEPTION DATE AND EXPECTED DURATION:**

The Fund was created on 25 September 2020 for 99 years, as part of a split pursuant to Article L.214-8-7 of the French Monetary and Financial Code.

**□ DATE OF AMF APPROVAL:**

The Fund was approved by the *Autorité des marchés financiers* (AMF), the French financial markets authority, on 15 September 2020.

**□ SUMMARY OF THE MANAGEMENT OFFERING:**

Unit classes	Target subscribers	Minimum initial subscription	Minimum subsequent subscription	ISIN code	Allocation of distributable income	Base currency	Initial net asset value
EUR-R (C) units	All subscribers, although private individuals in particular	EUR 20,000	1 ten-thousandth of a unit	FR0011015478	Accumulation	EUR	Estimated value at the date of the split
HCHF-R (C)* units	All subscribers, although private individuals in particular	CHF 20,000	1 ten-thousandth of a unit	FR0011978279	Accumulation	CHF	Estimated value at the date of the split
HSGD-R (C)** units	All subscribers, although private individuals in particular	SGD 20,000	1 ten-thousandth of a unit	FR0012497972	Accumulation	SGD	Estimated value at the date of the split
HUSD-R (C)*** units	All subscribers, although private individuals in particular	USD 20,000	1 ten-thousandth of a unit	FR0012497980	Accumulation	USD	Estimated value at the date of the split
EUR-I (C) units	All subscribers, although institutional investors in particular	EUR 100,000	1 ten-thousandth of a unit	FR0011006220	Accumulation	EUR	Estimated value at the date of the split
HCHF-I (C)* units	All subscribers, although institutional investors in particular	CHF 100,000	1 ten-thousandth of a unit	FR0011978295	Accumulation	CHF	Estimated value at the date of the split

HUSD-I (C) <sup>***</sup> units	All subscribers, although institutional investors in particular	USD 100,000	1 ten-thousandth of a unit	FR0012498004	Accumulation	USD	Estimated value at the date of the split
EUR-Q (C) units	Subscriptions in this unit are reserved to employees and entities of the H2O AM Group	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0013426723	Accumulation	EUR	Estimated value at the date of the split
EUR-N (C) units	Subscriptions in this unit are reserved to investors specifically subscribing via distributors or intermediaries: - subject to national legislation prohibiting all retrocessions to distributors, or - that provide an independent advisory service as defined by the MiFiD II European regulation or individual management under mandate	EUR 20,000	1 ten-thousandth of a unit	FR0013185246	Accumulation	EUR	Estimated value at the date of the split

\*Unit systematically hedged against EUR/CHF exchange rate risk

\*\* Unit systematically hedged against EUR/SGD exchange rate risk

\*\*\* Unit systematically hedged against EUR/USD exchange rate risk

**ADDRESS FROM WHICH THE LATEST ANNUAL AND INTERIM REPORTS AND ASSET COMPOSITION CAN BE OBTAINED:**

The latest annual report and asset composition details will be sent to the holder within eight working days of receipt of a written request addressed to:

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

Any further information may be obtained from H2O AM EUROPE at the above address, or from your usual adviser.

**INFORMATION FOR PROFESSIONAL INVESTORS:**

The Management Company may send the breakdown of the UCI's portfolio to investors classified as professional investors by the ACPR, the AMF or equivalent European authorities, for the sole purpose of calculating regulatory requirements under Directive 2009/138/EC (Solvency II).

## 1 Directory

### ❑ MANAGEMENT COMPANY:

#### **H2O AM EUROPE**

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

### ❑ DEPOSITARY, CUSTODIAN:

#### **Corporate or company name: CACEIS BANK**

Legal form: Credit institution approved by the ACPR (former CECEI)  
Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France  
Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

The functions of depositary and custodian of the UCITS' assets are performed by CACEIS Bank.

### ❑ CLEARING HOUSE:

#### **Corporate or company name: CACEIS BANK**

Legal form: Credit institution approved by the ACPR (former CECEI)  
Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France  
Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

The functions of the institution responsible for clearing subscription and redemption orders and the institution responsible for keeping the registers of units (Fund liabilities) are performed by CACEIS Bank.

Under the authority of the management company, CACEIS Bank is entrusted with the liability accounting of the UCITS and, to this end, is responsible for clearing and processing subscription and redemption requests relating to the units of the UCITS.

### ❑ PRIME BROKER:

None

### ❑ STATUTORY AUDITOR:

#### **CABINET KPMG AUDIT**

Represented by Ms Isabelle Bousquié  
Tour EQUO – 2, rue Gambetta CS60055  
92066 Paris La Défense Cedex, France

### ❑ MARKETING AGENTS:

#### **H2O AM EUROPE**

39 Avenue Pierre 1er de Serbie  
75008 Paris, France

The marketing agent is the entity that markets the Fund.

This list of marketing agents is not exhaustive, insofar as the Fund is listed on Euroclear.

The Fund's Management Company would like to remind subscribers that not all marketing agents are appointed by or known to the company.

□ **REPRESENTATIVES:**

**Delegated accounting functions:**

Corporate or company name: CACEIS Fund Administration, which provides the Fund's accounting management and valuation on behalf of H2O AM EUROPE

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

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

Nationality: French

**Delegation of financial management:**

Company name: H2O MONACO S.A.M.

Legal form: a Monaco *société anonyme* (public limited company), authorised by the *Commission de contrôle des activités financières* (Commission for the Control of Financial Activities – Monaco) under number SAF 2017-04

Registered office: 24, boulevard Princesse Charlotte Monte Carlo, 98000 Monaco

The delegated financial manager will contribute in part to the financial management alongside the Management Company.

The Management Company has not identified any conflicts of interest that may arise from such arrangements.

## II OPERATING AND MANAGEMENT CONDITIONS

### 1 General features:

□ **RIGHTS ASSOCIATED WITH THE CLASS OF UNITS:**

Each unitholder has co-ownership rights proportional to the number of units held.

Unitholders may be informed about changes affecting the Fund by any means that conform to AMF guidelines. Management of the Fund, which has no corporate personality and for which the rules concerning undivided ownership and companies have been waived, is carried out by the Management Company acting on behalf of the unitholders and in their exclusive interest.

□ **ENTRY IN A REGISTER, OR ESTABLISHMENT OF PROCEDURES FOR LIABILITY ACCOUNTING:**

Liability accounting is handled by CACEIS Bank.

The units are administered by Euroclear France.

□ **VOTING RIGHTS:**

The units do not carry any voting rights. Management of the Fund is carried out by the Management Company, which acts on behalf of the holders and in their exclusive interest.

The Management Company's voting policy may be consulted at the Management Company's registered office or at [www.h2o-am.com](http://www.h2o-am.com).

Type of units: bearer

□ **DIVISION OF UNITS:**

The EUR-R (C), HCHF-R (C), HSGD-R (C), HUSD-R (C), EUR-I (C), HCHF-I (C), HUSD-I (C), EUR-Q (C) and EUR-N (C) units are divided into ten-thousandths.

□ **FINANCIAL YEAR END:**

Last trading day in June.

The first financial year ended on the last trading day of June 2021.

□ **INFORMATION ON THE TAXATION SYSTEM:**

The Fund is not itself subject to taxation. Depending on your tax system, any capital gains and income derived from holding UCI shares or units may be subject to taxation. The applicable tax system therefore depends on the tax provisions regarding the unitholder's individual situation and place of residence. Investors are advised to consult their usual financial advisers for information on the procedures that personally apply to them. We recommend that you seek advice on this matter.

## 2 Specific provisions

□ **ISIN CODES:**

Units	ISIN codes
EUR-I (C) units	FR0011006220
HCHF-I (C) units	FR0011978295
HUSD-I (C) units	FR0012498004
EUR-R (C) units	FR0011015478
HCHF-R (C) units	FR0011978279
HSGD-R (C) units	FR0012497972
HUSD-R (C) units	FR0012497980
EUR-Q (C) units	FR0013426723
EUR-N (C) units	FR0013185246

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

The Fund invests up to 10% of its net assets in units or shares.

□ **MANAGEMENT OBJECTIVE:**

For EUR-R and EUR-I units:

The Fund's objective is to outperform the daily compounded €STR rate by 3.41% per annum for R units and by 4% per annum for I units, over its minimum recommended term of investment after the deduction of operating and management fees.

For HCHF-R and HCHF-I units:

The management objective is to outperform the SARON (Swiss Average Rate Overnight), capitalised daily, by 3.41% per annum for R units and by 4% per annum for I units, over its minimum recommended term of investment after the deduction of operating and management fees.

For HSGD-R units:

The management objective is to outperform the 1-month SIBOR (Singapore Interbank Offered Rate) by 3.41% per annum, over its minimum recommended term of investment after the deduction of operating and management fees.

For HUSD-R and HUSD-I units:

The management objective is to outperform the SOFR (Secured Overnight Financing Rate), capitalised daily, by 3.41% per annum for R units and by 4% per annum for I units, over its minimum recommended term of investment after the deduction of operating and management fees.

For EUR-Q units:

The Fund's objective is to outperform the daily compounded €STR by 4.9% per year, over its minimum recommended term of investment after the deduction of operating and management fees.

For EUR-N units:

The management objective is to outperform the daily compounded €STR rate by 3.9%, over its minimum recommended term of investment after the deduction of operating and management fees.

Potential subscribers are reminded that the various performance objectives listed in this "Management objective" section are based on performance assumptions agreed by the Management Company and under no circumstances guarantee the Fund's return or performance.

□ **BENCHMARK:**

For EUR-R, EUR-Q, EUR-N and EUR-I units:

The daily compounded €STR rate (Overnight Indexed Swap or OIS method) is the benchmark. The €STR (Euro Short-Term Rate) corresponds to the interbank market benchmark rate in the eurozone. It is calculated by the European Central Bank.

Further information on the benchmark index is available on its administrator's website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

The benchmark index administrator is not registered on the register of administrators and benchmark indices maintained by ESMA (the ECB is exempt).

For HCHF-R and HCHF-I units:

The SARON (Swiss Average Rate Overnight), capitalised daily, (Overnight Indexed Swap, or OIS, method) corresponds to the benchmark rate of the Swiss franc (CHF) interbank market.

It is calculated by SIX Financial Information AG.

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

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

For HUSD-R and HUSD-I units:

The SOFR (Secured Overnight Financing Rate), capitalised daily, (Overnight Indexed Swap, or OIS, method) corresponds to the benchmark rate of the US dollar (USD) interbank market.

It is calculated by the New York Federal Reserve.

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

The benchmark index administrator is not listed in the register of administrators and benchmark indices held by ESMA (since central banks are exempt).

For HSGD-R units:

The 1-month SIBOR (Singapore Interbank Offered Rate) is the average interest rate at which a selection of large, Singapore-based banks are prepared to lend to one another in Singapore dollars for a term of one month. It is calculated every working day by Refinitiv and published by ABS Benchmarks Administration Co Pte Ltd. Information is available at: <https://www.abs.org.sg/rates-sibor>.

The administrator of the benchmark index, ABS Benchmarks Administration Co Pte Ltd, is recorded on the register of administrators and benchmark indices held by ESMA.

□ **INVESTMENT STRATEGY:**

**A) Description of the strategies used**

The management style implemented is focused on absolute performance, combining strategic and tactical positions and arbitrages on all interest rate, equity and international currency markets.

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

The Fund’s performance is more closely linked to relative market trends (relative and arbitrage positions) than to the general direction of these markets (directional positions).

The risk level of the portfolio for each asset class (e.g. bonds) is determined in respect of its own merits and its correlations with the other asset classes (currency and credit). Exposure to different types of assets is therefore a consequence of these risk allocation choices.

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

The overall modified duration of the portfolio will range from -16 to +16.

**SFDR:**

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

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

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

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company’s compliance department for any investment linked to issuers based in countries defined as “high risk” with regard to money

laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU's lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

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

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

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

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

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

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

1. **Active management of exposure to overall credit risk;**
2. **Allocation of the credit risk over the main segments of the credit market:** "Investment Grade" and "Speculative Grade" debt, on the one hand, external and local debt of non-OECD countries, on the other;
3. **Selection of issuers** in each of these segments.

#### **Currency management:**

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

The

- HCHF-I and HCHF-R units denominated in CHF,
- HSGD-R denominated in SGD,
- HUSD-R and HUSD-I denominated in USD,



are hedged against exchange rate risk to limit the impact of fluctuations in the EUR/relevant unit currency exchange rate on the Fund's performance.

These units therefore aim to achieve the best performance of the strategy during the investment term of the Fund by hedging against the EUR/relevant unit currency exchange rate risk, which could affect the net asset value.

#### **Equity management:**

1. **Active management of exposure to the asset class** within a range of [-60%; +60%] of the net assets in accordance with the bullish or bearish expectations of the investment team;
2. **Positive or negative allocation of this exposure among geographic regions**, in accordance with the relative performance expectations of the investment team;
3. **Positive or negative sector allocation**, in accordance with the relative performance expectations of the investment team;
4. **Selection of securities in the various sectors**, through the sale or purchase of equities.

In addition and depending on market opportunities, management will be able to carry out transactions entered into and unwound on the same day.

#### **B) Description of asset classes and forward financial instruments in which the Fund intends to invest, and their contribution to achieving the management objective.**

##### **1. Debt securities, similar securities and financial instruments**

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

- up to **100% of the net assets in bonds issued or guaranteed by OECD Member States** with no rating restrictions;
- up to **100% of the net assets in non-government bonds** issued by companies with their registered offices in an OECD country. The Investment Manager relies on the appraisal of credit risk by its teams and its own methodology.
- In addition to this appraisal, the securities in question are subject to a minimum "rating" constraint corresponding to "investment grade" according to the Investment Manager's criteria at the time of their acquisition (for example, BBB- according to the Standard & Poor's or Fitch Ratings rating scales, or Baa3 according to Moody's).

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

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

Moreover, when the rating of an issuer of a security already present in the portfolio deteriorates and falls below the minimum "Investment Grade" rating (equivalent to a minimum rating of BBB- according to Standard & Poor's and Fitch or Baa3 according to Moody's), the Investment Manager will examine the case for keeping the securities in the portfolio or disposing of them, while maintaining as its principal criterion the interests of the unitholders.

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

The Investment Manager relies on the appraisal of credit risk by its teams and its own methodology.

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

- AA from Standard & Poor's or Fitch ratings;

- Aa2 from Moody's.

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

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

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

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

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

The Fund may, however, continue to hold ABSs and MBSs for which the initial rating has subsequently been downgraded, subject to a minimum rating of A/A2 by Standard & Poor's, Fitch Ratings or Moody's or an equivalent rating in accordance with the Investment Manager's analysis.

The Investment Manager will examine the case for keeping the securities in the portfolio or disposing of them, while maintaining as its principal criterion the interests of the unitholders.

- up to **60% of the assets in OECD corporate bonds rated "Speculative Grade" at purchase, and non-OECD government and corporate bonds with no ratings restrictions**, issued in G4 currencies (USD, EUR, GBP and JPY) or in local currencies.
- up to 20% of the assets in convertible or exchangeable bonds.
- up to 10% of the assets in contingent convertible bonds.

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

The Fund's cash position is managed through the acquisition of money market instruments (treasury bills, annual interest treasury bills, short-term negotiable securities, Euro Commercial Paper and money market UCIs) and the agreement of repurchase agreements and deposits.

#### **Equities:**

All equities and similar instruments or rights attached to the ownership of these equities, on developed and emerging markets, to a total exposure limit of 60% of the net assets.

The Fund reserves the right to invest on an ancillary basis in equities that are not included in the MSCI World All Countries Index

#### **Currencies:**

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

<b>Recap of the main limits for investment in bonds (<i>ratings applicable at time of purchase</i>), equities and currencies</b>	
Overall modified duration range	[-16; +16]
OECD government bonds	Maximum 100% of net assets
OECD non-government bonds rated "Investment Grade" at purchase	Maximum 100% of net assets
of which securitised bonds (ABS & MBS) rated at least AA/Aa2	Maximum 20% of net assets

Non-OECD government bonds or OECD non-government bonds rated "Speculative Grade" at purchase or Non-OECD non-government bonds	Maximum 60% of net assets
Equities on developed and emerging markets	Exposure between [-60%; +60%] of net assets
of which equities not included in the MSCI World All Countries Index	Maximum 10% of net assets

## **2. Specific instruments**

### **2.1. Holding shares or units of UCITS/AIFs/investment funds**

On an ancillary basis, with a view to investing its liquid assets, the Fund may hold up to 10% of its assets in shares or units of the following UCITS/AIF/Investment funds, particularly money market UCITS/AIF/Investment funds:

UCITS under French law*	X
UCITS under European law*	X
AIFs under French law that comply with Article R. 214-13 of the <i>Code monétaire et financier</i> , the French Monetary and Financial Code*	X
AIFs under European law that comply with Article R. 214-13 of the <i>Code monétaire et financier</i> , the French Monetary and Financial Code*	X
Investment funds under foreign law that comply with Article R. 214-13 of the <i>Code monétaire et financier</i> , the French Monetary and Financial Code*	X

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

The UCIs held by the Fund may be managed by the Management Company or by a legally affiliated company.

### **2.2. Derivatives**

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

These are an alternative to bearer securities, especially at times of subscription/redemption flows or in specific circumstances such as major market fluctuations.

The Fund may use derivatives to overcommit its portfolio.

Transactions entered into and unwound on the same day will apply to derivative instruments traded on regulated markets and foreign exchange spot transactions. In particular, the modified duration characteristics of options (gamma) will be actively managed when approaching the ends of investment periods.

The Fund's exposure to financial futures will be managed in due observation of a maximum ex-ante "Value at Risk" (VaR) of 20% over 20 days, with a confidence interval of 99%. It will not exceed this maximum capacity.

The table below details the Fund's operating conditions regarding derivatives.

## TABLE OF DERIVATIVES

	MARKET TYPE			RISK TYPE					OPERATION TYPE			
	Admission to regulated markets*	Organised markets	OTC markets	Equities	Interest rate	Exchange rate	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
<b>Futures on</b>												
Equities	X	X		X					X	X	X	
Interest rates	X	X			X				X	X	X	
Exchange rates	X	X				X			X	X	X	
Indices	X	X		X	X		X		X	X	X	
<b>Options on</b>												
Equities	X	X	X	X				X	X	X	X	
Interest rates	X	X	X		X			X	X	X	X	
Exchange rates	X	X	X			X		X	X	X	X	
Indices	X	X	X	X	X	X	X	X	X	X	X	
<b>Swaps</b>												
Equities			X	X				X	X	X	X	
Interest rates			X		X			X	X	X	X	
Exchange rates			X			X		X	X			
Indices			X	X	X	X	X	X	X	X	X	
<b>Forex forward</b>												
Currency			X			X		X	X	X	X	
<b>Credit derivatives</b>												
Credit default swaps (CDS)	X	X	X				X	X	X	X	X	
First default	X	X	X				X	X	X	X	X	
First losses credit default swap	X	X	X				X	X	X	X	X	

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

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

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

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

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

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

The counterparties do not have any discretionary decision-making powers in respect of the composition or management of the Fund's investment portfolio or the asset underlying the derivative.

The Fund may also make use of CFDs. CFDs (Contracts for Differences) are derivative instruments that generally have underlying equities. They operate in a similar way to an open-ended equity swap. They allow positions to be taken up without directly investing in the underlying equities. The purpose of CFDs agreed by the Fund is to take long or short positions as part of the equity arbitrage strategy. In exchange for a variable rate payment, they offer performance and a portion of the income from the underlying equities.

#### **2.2a: Information relating to OTC financial agreements**

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

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

#### **2.3. Securities with embedded derivatives**

The Fund may also invest in securities with embedded derivatives, namely, equity warrants, callable and puttable interest rate products and convertible and exchangeable bonds.

The use of securities with embedded derivatives aims to achieve the Fund's investment objective in the same way as with derivatives.

**TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES**

<i>Type of instrument used</i>	RISK TYPE					OPERATION TYPE			
	Equities	Interest rate	Exchange rate	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
<b>Warrants on</b>									
Equities									
Interest rates									
Exchange rates									
Indices									
<b>Subscription warrants</b>									
Equities	X					X	X	X	
Interest rates									
<b>Equity-linked products</b>									
<b>Convertible bonds</b>									
Exchangeable bonds	X	X		X		X	X	X	
Convertible bonds	X	X		X		X	X	X	
Contingent convertible bonds	X	X		X		X	X	X	
<b>Callable interest rate products</b>		X	X	X	X	X	X		X
<b>Puttable interest rate products</b>		X	X	X	X	X	X		X
<b>Structured EMTN/Medium-term negotiable securities</b>									
Structured medium-term negotiable securities									
Structured EMTN									
Credit-linked notes (CLN)									
<b>Other (please specify)</b>									

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

#### **2.4. Deposits**

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

#### **2.5. Liquid assets**

On an ancillary basis, the Fund may also hold cash and cash equivalents.

#### **2.6. Cash borrowings**

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

## **2.7. Temporary purchases and sales of securities**

The Fund may carry out temporary purchases or sales of securities (also called as securities financing transactions), subject to a limit of 100% of the assets. The proportion of assets under management expected to be subject to securities financing transactions will be 50%.

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

<b>Types of operation, all of which must be limited to the achievement of the management objective</b>	
Cash management	X
Optimisation of the Fund's income and performance	X
Other	

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

The assets that may be subject to such transactions will be the assets described in the chapter "Description of asset classes" of this prospectus.

### **2.7a: Information on the use of temporary purchases and sales of securities**

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

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

## **2.8. Contracts constituting collateral**

Within the context of entering into financial contracts and/or securities financing transactions, the UCITS may receive/pay collateral in the form of a transfer of the full ownership of securities and/or cash.

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

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

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

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

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

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

Collateral received in any form other than cash may not be sold, reinvested or pledged.

The Investment Manager will carry out a daily valuation of collateral received on a market price basis (mark-to-market method), according to the valuation rules set out in this prospectus. Margin calls will be made on a daily basis.

The collateral received by the Fund will be kept by the depositary of the Fund or, failing that, by any third-party depositary subject to prudential supervision and which has no connection with the provider of the guarantee.

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

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

The underlying investments in this Fund do not take into account the European Union criteria regarding environmentally sustainable economic activities.

□ **RISK PROFILE:**

Your money will be primarily invested in financial instruments selected by the Investment Manager. These instruments will be subject to the trends and risks of the markets.

Net asset value is liable to fluctuate widely due to the financial instruments that make up the Fund portfolio.

**Capital risk:** the Fund does not benefit from any guarantee or protection. Therefore, the capital initially invested may not be repaid in full.

**Credit risk:** this is the risk of a variation in “credit spreads” arising from a deterioration in the quality of the issuer or a default by one or more issuers present in the portfolio. Depending on the direction of the transactions of the UCITS, i.e. a decrease (in the event of a purchase) or an increase (in the event of a sale) in the value of the debt securities to which the UCITS is exposed, the Fund may fall, leading to a decrease in its net asset value.

Under deteriorated market conditions, their valuation may fluctuate significantly and have a negative impact on the net asset value.

This risk may be intensified by a lack of liquidity on the market for all bonds, particularly speculative bonds (rated speculative grade).

In the case of ABS (Asset Backed Securities) and MBS (Mortgage Backed Securities), credit risk results from both the intrinsic quality of the underlying assets, which may be of various types (consumer, mortgage, SME loans, trade receivables, etc.) and from specific risks, particularly those associated with the sometimes complex legal structure and the operators involved in the transaction.

**Interest rate risk:** this is the risk of a fall in the value of interest rate instruments owing to fluctuations in interest rates. It is measured by modified duration.

When interest rates rise (in the case of positive modified duration) or fall (in the case of negative modified duration), the net asset value may fall sharply.

Modified duration measures the impact of a change in rates on the Fund's valuation.

Therefore, if the Fund has a modified duration to interest rates close to 10, a 1% rise in real rates will cause the Fund's net asset value to fall by 10%, while a 1% fall in real rates will cause the Fund's net asset value to rise by 10%. Conversely, if the Fund has a modified duration to interest rates close to -2, a 1% rise in real rates will cause the Fund's net asset value to rise by 2%, while a 1% fall in real rates will cause the Fund's net asset value to fall by 2%.

**Equity risk:** this is the risk of a fall in equities and/or indices linked to the investment and/or to the portfolio's exposure to equities or to indices.

The materialisation of this risk may lead to a fall in the Fund's net asset value.



**Counterparty risk:** the Fund uses over-the-counter financial contracts and/or temporary purchases and sales of securities. These transactions, entered into with one or more counterparties, potentially expose the Fund to the risk of failure of any of these counterparties, which may cause the latter to default on payment.

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

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

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

For the

- HCHF-I and HCHF-R units denominated in CHF,
- HSGD-R denominated in SGD,
- HUSD-R and HUSD-I denominated in USD,

the euro exchange rate risk is hedged in order to minimise the impact of variations in the relevant unit currency against the euro for unitholders whose investment is made in this currency.

**Risk of overexposure:** as part of the method used to calculate commitment, risk budgets are determined for the various strategies. The UCITS will therefore have variable levels of exposure to the various types of risk stated in this prospectus while remaining compliant with the risk budgets defined in the investment strategy. The level of exposure depends in particular on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to fall faster and/or to a greater extent than the markets underlying these risks.

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

**Risks associated with investment in exchangeable, convertible and contingent convertible bonds:** the Fund may invest in exchangeable bonds, convertible bonds which are fixed-income securities that include an option to convert into equities, and "contingent convertible" bonds which are fixed-income securities that include an option to convert into equities at the initiative of the issuer in the event of a deterioration of their financial position.

In addition to the interest rate and credit risk inherent to bonds, the activation of the conversion option may cause the Fund's net asset value to fall more significantly than that of the issuer's other conventional bonds.

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

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

EUR-R, HCHF-R, HSGD-R, HUSD-R, I, HCHF-I and HUSD-I units are aimed at all subscribers. R and H-R units are primarily aimed at private individuals. I and H-I units are primarily aimed at institutional investors. The EUR-N unit is primarily aimed at private individuals who invest through distributors, financial advisers, platforms or other intermediaries.

The EUR-Q unit is reserved for employees and entities of the H2O AM Group.

The Fund is aimed at investors who wish to diversify their investments on equity, interest rate and currency markets.

Minimum recommended investment period: 5 years.

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

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

The amount that it is reasonable to invest in the Fund depends on the amount of risk the investor is willing to take. This amount also depends on the holder's personal profile, particularly their financial situation and the current composition of their financial assets. **Building and holding a financial asset portfolio implies a diversification of investments.**

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

Investors are strongly advised to diversify their assets so that they are not solely exposed to the risks of this Fund.

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

EUR-R (C), HCHF-R (C), HSGD-R (C), HUSD-R (C), EUR-I (C), HCHF-I (C), HUSD-I (C), EUR-Q (C) and EUR-N (C) units are accumulation units.

□ **UNIT FEATURES:**

Unit categories	ISIN code	Base currency	Unit division	Minimum initial subscription	Minimum subsequent subscription
EUR-R (C) units	FR0011015478	EUR	Ten-thousandths	EUR 20,000	1 ten-thousandth of a unit
HCHF-R (C) units	FR0011978279	CHF	Ten-thousandths	CHF 20,000	1 ten-thousandth of a unit
HSGD-R (C) units	FR0012497972	SGD	Ten-thousandths	SGD 20,000	1 ten-thousandth of a unit
HUSD-R (C) units	FR0012497980	USD	Ten-thousandths	USD 20,000	1 ten-thousandth of a unit

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

EUR-I (C) units	FR0011006220	EUR	Ten-thousandths	EUR 100,000	1 ten-thousandth of a unit
HCHF-I (C) units	FR0011978295	CHF	Ten-thousandths	CHF 100,000	1 ten-thousandth of a unit
HUSD-I (C) units	FR0012498004	USD	Ten-thousandths	USD 100,000	1 ten-thousandth of a unit
EUR-Q (C) units	FR0013426723	EUR	Ten-thousandths	EUR 20,000	1 ten-thousandth of a unit
EUR-N (C) units	FR0013185246	EUR	Ten-thousandths	EUR 20,000	1 ten-thousandth of a unit

□ **SUBSCRIPTION AND REDEMPTION PROCEDURES:**

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

Investors intending to subscribe to units and unitholders wishing to redeem units are invited to contact their usual marketing agent directly in order to obtain information on the deadlines for placing subscription and redemption orders, as these may be earlier than the clearing time stated above.

For EUR and GBP currencies, orders are executed in accordance with the table below:

D business day	D business day	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Clearing of subscription orders before 12:30 p.m. CET <sup>1</sup>	Clearing of redemption orders before 12:30 p.m. CET <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

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

For other currencies, orders are executed in accordance with the table below:

D business day	D business day	D: NAV calculation day	D+1 business day	D+3 business day	D+3 business day
Clearing of subscription orders before 12:30 p.m. CET <sup>1</sup>	Clearing of redemption orders before 12:30 p.m. CET <sup>1</sup>	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions <sup>1</sup>	Settlement of redemptions <sup>1</sup>

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

**Redemption capping mechanism (gates):**

The management company may implement the so-called “gate mechanism” to spread redemption requests of the UCI’s unitholders over several net asset values when they exceed a certain level, determined in an objective manner.

It may decide not to execute all redemptions at the same net asset value, irrespective of the implementation of the management strategy, in the event of exceptional circumstances such as liquidity conditions that affect the UCI’s assets, and if the interests of unitholders or the general public so dictate.

Unitholders may also refer to the regulations of the UCI.

Description of the method used:

The UCI’s unitholders are reminded that the threshold for triggering the gate mechanism is linked to the ratio between:

- the difference, at the same clearing date, between the number of units of the UCI whose redemption is requested or the total amount of these redemptions, and the number of units of the UCI whose subscription is requested or the total amount of these subscriptions; and
- the net assets or the total number of units of the UCI.

The gate trigger threshold will be 5% for all the UCI’s unit classes.

This threshold is explained by the UCI’s NAV calculation frequency, its management strategy and the liquidity of its assets. The threshold applies to cleared redemptions for all the UCI’s assets rather than specifically depending on unit class.

When redemption requests exceed the gate trigger threshold, the management company may decide to honour them beyond the established cap and thus execute some or all orders that may be blocked.

The maximum period for applying the gate mechanism is set at 20 net asset values over three months. Therefore, the mechanism may not be triggered during more than 20 consecutive net asset values.

Information procedures for unitholders:

If the gate mechanism is activated, all UCI unitholders will be informed by any means via the management company’s website: [www.h2o-am.com](http://www.h2o-am.com).

The UCI’s unitholders whose orders have not been executed will receive a specific notification as soon as possible.

Processing of non-executed orders:

Redemption orders will be executed in the same proportions for UCI unitholders having requested a redemption from the last clearing date. Non-executed orders will automatically be carried forwards to the next net asset value and will not take priority over new redemption orders sent for execution at the following net asset value. In any event, non-executed redemption orders that are automatically carried forwards may not be cancelled by the unitholders concerned of the UCI.

Exemption:

Return trips (i.e. a redemption request connected to and made at the same time as a subscription request on the same NAV date, with the same ISIN code, for the same number of units, via the same intermediary and on the same account) will not be considered for gating and will therefore be honoured as they are.

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

The first net asset value will be established on 14 October 2020.

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

The net asset value may be obtained from the Management Company:  
H2O AM EUROPE  
39 Avenue Pierre 1er de Serbie  
75008 Paris, France

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

In accordance with the estimated values established by the UCITS that is the subject of the demerger in accordance with Article L. 214-8-7 of the French Monetary and Financial Code, the UCITS will establish estimated values between its creation date and the establishment of its first net asset value. These estimated values cannot be used as a basis for subscriptions/redemptions.

□ **FEES AND COMMISSIONS:**

Subscription and redemption fees:

Subscription and redemption fees increase the subscription price paid by the investor or reduce the redemption price. The fees charged by the UCITS serve to offset the charges it incurs when investing and divesting investors' holdings. Fees that are not paid to the Fund are paid to the Management Company, Promoter etc.

<b>Fees charged to the investor, payable at the time of subscription or redemption</b>	<b>Basis</b>	<b>Rate scale</b>
Maximum subscription fee not payable to the UCITS	net asset value X number of units	<b><u>For all R unit classes:</u></b> 3% maximum  <b><u>For all I unit classes:</u></b> 1% maximum
Subscription fee payable to the Management Company	net asset value X number of units	<b><u>EUR-Q unit:</u></b> 10% maximum rate
Subscription fee payable to the UCITS	net asset value X number of units	None
Maximum redemption fee not payable to the UCITS	net asset value X number of units	None
Redemption fee payable to the UCITS	net asset value X number of units	None

Fees charged to the UCITS:

These charges cover:

- Financial management fees;
- Operating expenses and other services;

- Maximum indirect costs (management fees and charges): for UCITS that invest over 20% in French or foreign UCITS, French AIFs or AIFs established in another Member State of the European Union, or investment funds established under foreign law,
- Transfer fees;
- Outperformance fees.

Charges taken from the UCITS	Basis	Rate scale
Financial management fees	Net assets	Maximum rate <b><u>For all R unit classes:</u></b> 1.90% incl. tax  <b><u>EUR-N unit:</u></b> 1.10% incl. tax  <b><u>For all I unit classes:</u></b> 1% incl. tax  <b><u>EUR-Q unit:</u></b> 0.10% incl. tax
Operating expenses and other services	Net assets	Maximum rate  <b><u>For all units:</u></b> 0.15% incl. tax
Transfer fees	Sum (capped at the monthly average of assets) of the notional amounts of transactions involving listed derivatives, excluding listed options	0.02% maximum per month
Outperformance fee	Positive difference between valued asset and reference asset	25%, including tax, of the outperformance with respect to the benchmark index defined in the "Performance fee" paragraph below  EUR-Q unit: None

Third parties, more specifically external distributors and delegated financial managers, may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees. Unitholders should ask their distributor and/or management company for any additional information on retrocessions.

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

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

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

#### I. Fund registration and benchmarking fees

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

#### II. Customer and distributor information costs

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

#### III. Data charges

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

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

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

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

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

#### VI. Operating expenses

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

#### VIII. Fees related to customer knowledge

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

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the

UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

**Performance fee:**

The performance of each unit class of the Fund is calculated on the basis of changes in the net asset value (NAV) of this unit class.

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

Any underperformance of the Fund in relation to the benchmark index must be compensated for before performance fees become payable, whatever the duration of this underperformance.

The valued assets, reference assets and High-Water Mark are calculated for each unit class as follows:

a) The **valued assets** are equal to the amount of the Fund's assets in the unit class concerned, valued in accordance with the rules applicable to the assets and taking into account the actual operating and management costs corresponding to this unit class.

b) The **High-Water Mark** ("HWM") corresponds to the Fund's highest NAV for the unit class concerned, recorded at the end of each observation period since the date the unit class was launched and on which performance fees have been charged.

c) During the observation period and each time the net asset value is calculated, the **reference assets** are adjusted for the amounts of subscriptions/redemptions applicable to this unit class and valued in accordance with the performance of the relevant reference index. At the beginning of the observation period:

(i) if the valued assets at the end of the previous observation period are higher than the reference assets on that date, the reference assets are then equal to the HWM multiplied by the number of units in the unit class concerned on that same date;

(ii) if the valued assets at the end of the previous observation period are lower than or equal to the reference assets on that date, or during the observation period, the reference assets are adjusted for subscriptions/redemptions and valued in accordance with the performance of the reference index applicable to the unit class.

The benchmark index for units denominated in EUR is equal to:

- capitalised €STR + 3.41% per annum for R units
- capitalised €STR + 4% per annum for I units
- capitalised €STR +3.9% per annum for N units

The benchmark index for units denominated in CHF is equal to:

- capitalised SARON (Swiss Average Rate Overnight) + 3.41% per annum for R units
- capitalised SARON (Swiss Average Rate Overnight) + 4% per annum for I units

The benchmark index for units denominated in SGD is equal to:

- 1-month SIBOR (Singapore Interbank Offered Rate) + 3.41% per annum for R units

The benchmark index for units denominated in USD is equal to:

- capitalised SOFR (Secured Overnight Financing Rate) + 3.41% per annum for R units
- capitalised SOFR (Secured Overnight Financing Rate) + 4% per annum for I units

As a reminder, the data relating to the past performance of the benchmark index is available on the website [www.h2o-am.com](http://www.h2o-am.com), as well as in the Fund's monthly reports and annual report, which can also be found on the same website.

The observation period is defined as follows:

The first observation period:

for R (EUR), I (EUR), N (EUR), R (CHF), I (CHF), R (SGD), R (USD) and I (USD) units: from 25 September 2020 to the last trading day of June 2022.



Subsequent observation periods: from the first trading day in July to the last trading day in June of the following year.

At the beginning of each observation period, the reference assets used will be the greater of the assets recorded on 25 September 2020 and all the valued assets recorded on the final day of each of the observation periods established since the launch of the Fund. Since the UCITS is the result of a split pursuant to Article L.214-8-7 of the French Monetary and Financial Code, the assets recorded on 25 September 2020 will be the higher of the assets recorded on the day of the split and the reference assets from the H2O VIVACE split fund, from which the assets retained by the H2O VIVACE SP ex H2O VIVACE fund have been deducted in due proportion.

Where necessary, the reference assets will be restated for the amounts of subscriptions/redemptions occurring between the recording date of these reference assets and the start of the new observation period.

If, during the observation period, the valued assets of a particular unit class exceed the reference assets as defined above, the performance fee will represent up to 25% of the difference between these two asset values. A provision for performance fees is then taken into account when calculating the net asset value.

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

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

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

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

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

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

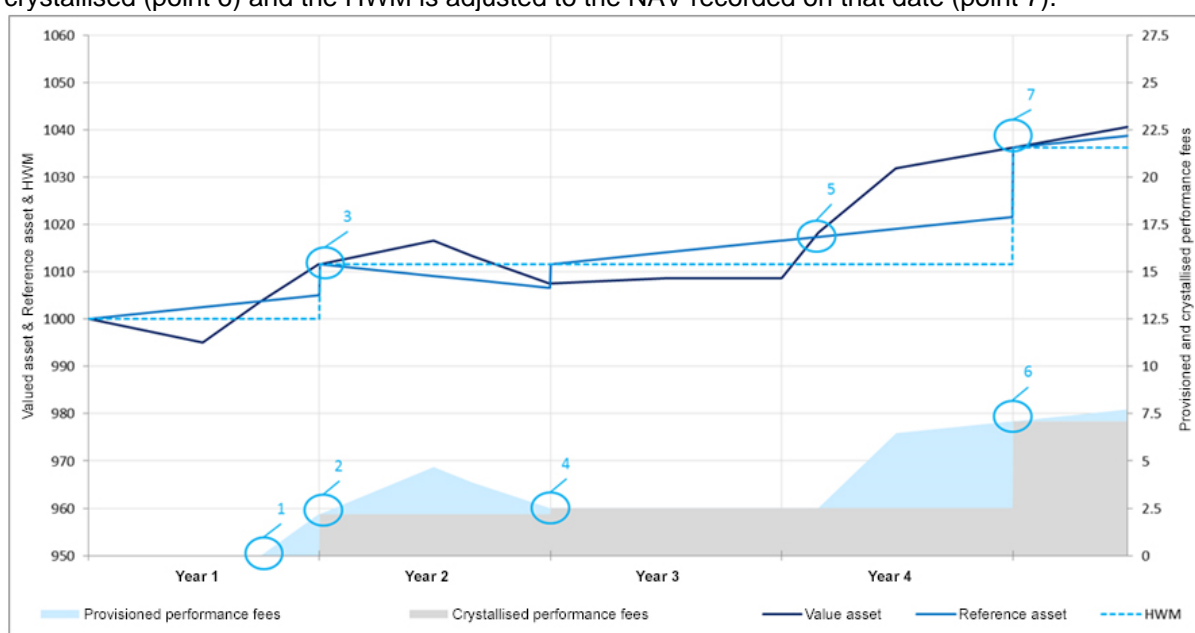
The simulations below illustrate several scenarios incorporating the assumptions of a lack of subscription/redemption flows for a given unit class and zero performance of the reference assets (i.e. the performance of the benchmark index is zero).

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

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

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

**Year 4:** At the start of the observation period and since, at the end of the previous year, the valued assets were lower than the reference assets, the reference assets were adjusted for subscriptions/redemptions and valued according to the performance of the benchmark, as during the observation period. Positive performance means that the valued assets are higher than the reference assets again (point 5) and offset the underperformance in year 3. From this date on, provisions are once again made for performance fees. At the end of the observation period, the performance fee is crystallised (point 6) and the HWM is adjusted to the NAV recorded on that date (point 7).



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

All remuneration from these operations is paid in full to the Fund.

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

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

**III COMMERCIAL INFORMATION**

**PROVISION OF INFORMATION FOR UNITHOLDERS CONCERNING THE UCITS:**

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

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

H2O AM EUROPE  
39 Avenue Pierre 1er de Serbie  
75008 Paris, France

or are available at the following email address: [info@h2o-am.com](mailto:info@h2o-am.com)

The documents will be sent to unitholders within eight working days.

- These documents are also available at "[www.h2o-am.com](http://www.h2o-am.com)"
- Further information can be obtained from the marketing agents' branches.

**INFORMATION ON THE NET ASSET VALUE**

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

**COMMERCIAL DOCUMENTATION**

Sales documentation is available to the Fund's unitholders and subscribers online from "[www.h2o-am.com](http://www.h2o-am.com)".

**INFORMATION IN THE EVENT OF AN AMENDMENT TO FUND OPERATIONS**

Unitholders are informed of any changes concerning the Fund in line with the procedures laid down by the AMF.

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

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

Information on the procedure for incorporating criteria relating to environmental, social and governance (ESG) quality objectives can be found in the annual reports of the relevant UCITS and on the management company's website.

#### IV INVESTMENT RULES

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

In particular, the UCITS may invest up to 100% of its assets in securities guaranteed by a government, local authority and/or public international organisation, provided that these assets are spread across at least six issues, with none of them representing more than 30% of the assets.

#### V OVERALL RISK

The calculation method used by the Fund is the Value-at-Risk method.

The indicative average level of the leverage effect for the UCITS is 46. However, the UCITS may possibly reach a higher leverage level. The UCITS' indicative leverage level is calculated as the sum of the nominal positions on the financial contracts that are used.

## VI ASSET VALUATION AND ACCOUNTING RULES

### **A Asset valuation rules**

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

The management company has delegated accounting management (including the valuation of the Fund's portfolio) to CACEIS FUND ADMINISTRATION.

The Fund's portfolio is valued each time the net asset value is calculated and on the closing of the accounts, at the closing price.

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

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

#### **Equities**

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

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

#### **Bonds**

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

#### **Transferable securities**

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

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

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

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

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

#### **Transferable debt securities**

Transferable debt securities are valued in accordance with the following rules:

- BTANs and BTFs are valued on the basis of an average of contributed prices obtained from market-makers;
- unlisted variable-rate debt securities are valued at cost price, adjusted to take into account any potential variations in credit "spreads";
- other fixed-rate transferable debt securities (certificates of deposit, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

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

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

#### **Temporary purchases and sales of securities**

Contracts for temporary purchases and sales of transferable securities and equivalent transactions are valued at the contract rate, adjusted for any margin calls (valued in accordance with the conditions set out in the contract).

In the case of transferable securities that are unlisted or whose price has not been listed on the valuation date, as well as other items on the balance sheet, the Management Company adjusts its valuation on the basis of variations that seem likely in view of current events.

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

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

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

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

### **Swaps**

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

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

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

Other swaps are valued in accordance with the following rules:

Swaps with a maturity of three months or less are valued using the straight-line method. Swaps with a residual maturity exceeding three months are valued using the turnaround rate in line with a zero-coupon curve.

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

### **Forex forwards**

These are valued at the currencies’ exchange rate on the valuation date, allowing for the amortisation of contango/normal backwardation.

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

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

Off-balance sheet commitments are valued as follows:

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

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

commitment = reference price (the prices at 5:00 p.m. on Bloomberg, Paris time) x nominal contract value x quantities.

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

## **2) Swap commitments:**

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

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

interest rate swaps with a maturity exceeding three months

#### backed:

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

#### non-backed:

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

### **b) other swaps**

These will be appraised at market value.

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

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

## **IV – Currencies**

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

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

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

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

## **VI – Swing pricing mechanism of net asset value with trigger threshold**

From the Fund's creation, the Management Company has implemented a method of adjusting the net asset value (NAV) with a trigger threshold.

Dealing costs are incurred relating to transactions carried out on the assets of the Fund as a result of the movements (subscriptions/redemptions) of the Fund's liabilities. The purpose of this mechanism, which is governed by a policy, is to protect the holders who remain in the Fund by making them bear the lowest possible cost. The result is an adjusted "swing" NAV.

If, on a NAV calculation date, the total net subscription/redemption orders of investors over all the Fund's share classes exceeds a predetermined threshold, on the basis of objective criteria by the management company as a percentage of net assets, the NAV may be adjusted upwards or downwards, to take into account readjustment costs attributable to net subscription/redemption orders, respectively. If the Fund issues more than one class of units, the NAV of each class of units is calculated separately, but any adjustment has the same impact on the total NAV of the unit classes of the Fund.

The readjustment and triggering cost parameters are determined by the management company and reviewed periodically. These costs are estimated by the management company on the basis of the transaction costs, the purchase and sale ranges, and any applicable taxes to the Fund.

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

Investors are advised that the volatility of the Fund's NAV may not reflect only the volatility of the securities held in the portfolio due to the application of the adjustment mechanism.

The swing-out NAV is the only net asset value of the Fund and the only one communicated to unitholders of the Fund. However, in the event of an outperformance fee, it is calculated on the NAV before the adjustment mechanism is applied.

## **B Accounting methods**

Income is recorded on the basis of revenues received.

Trading fees are stated in the specific Fund accounts and are not included in the price.

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

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

## **VII REMUNERATION**

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

## **VIII ADDITIONAL INFORMATION FOR INVESTORS IN THE FEDERAL REPUBLIC OF GERMANY**

### **Facilities in Germany:**

In accordance with Article 93(1) of Directive 2009/65/EC, find hereafter information on the **facilities** to perform the tasks referred to in Article 92(1) of this Directive:

- **Process subscriptions, repurchase and redemption orders and make other payments to unit-holders relating to the units of the UCITS**

Subscriptions, repurchase and redemption orders can be addressed to CACEIS BANK, 89-91, rue Gabriel Péri, 92120 Montrouge, France or to the Prime Transfer Agent reachable at: [fdi-ta1@caceis.com](mailto:fdi-ta1@caceis.com)

Payments relating to the units of the UCITS will be made by CACEIS BANK, 89-91, rue Gabriel Péri, 92120 Montrouge, France.

- **Provide investors with information on how orders can be made and how repurchase and redemption proceeds are paid**

Information on how orders can be made and how repurchase and redemption proceeds are paid are described in the prospectus of the fund which can be obtained from H2O AM EUROPE having its registered address at 39, avenue Pierre 1er de Serbie, 75008 Paris, France and CACEIS Bank having its registered address at 89-91 rue Gabriel Péri – 92120 Montrouge, France.

- **Facilitate the handling of information and access to procedures and arrangements referred to in Article 15 of Directive 2009/65/EC relating to investors' exercise of their rights**

Information can be obtained from the prospectus of the fund which is available from H2O AM EUROPE having its registered address at 39, avenue Pierre 1er de Serbie, 75008 Paris, France.

- **Make the information and documents required pursuant to Chapter IX of Directive 2009/65/EC available to investors**

Information can be obtained from H2O AM EUROPE having its registered address at 39, avenue Pierre 1er de Serbie, 75008 Paris, France.

This information can be obtained from Client Servicing (or is available in the Prospectus or on the H2O website [www.h2o-am.com](http://www.h2o-am.com)).

The latest issue, sale, repurchase or redemption price of the units is available at the registered office of the Fund, on the H2O Asset Management website ([www.h2o-am.com](http://www.h2o-am.com)).

In addition, the issue and redemption prices are published on [www.fundinfo.com](http://www.fundinfo.com) and any notices to investors in the Federal Gazette ("www.bundesanzeiger.de").

Moreover, communications to investors in the Federal Republic of Germany will be by means of a durable medium (section 167 of the Investment Code) in the following cases:

- suspension of the redemption of the units,
- termination of the management of the fund or its liquidation,
- any amendments to the company rules which are inconstant with the previous investment principles, which affect material investor rights or which relate to remuneration and reimbursement of expenses that may be paid or made out of the asset pool,
- merger of the fund with one or more other funds and
- the change of the fund into a feeder fund or the modification of a master fund.

Contact information

	<b>H2O AM EUROPE</b>
Address	39, avenue Pierre 1er de Serbie 75008 Paris, France
E-mail	<a href="mailto:clientservices@h2o-am.com">clientservices@h2o-am.com</a> <a href="mailto:middleoffice@h2o-am.com">middleoffice@h2o-am.com</a>



Address **CACEIS BANK**  
89-91 rue Gabriel Péri  
92120 Montrouge, France

E mail **Prime Transfer Agent (CACEIS)**  
[fdi-ta1@caceis.com](mailto:fdi-ta1@caceis.com)

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