

## H2O MODERATO SP

### PROSPECTUS DATED 1 SEPTEMBER 2021

NOTICE: this UCITS has been demerged in accordance with Article L.214-8-7 of the French Monetary and Financial Code.

**The UCITS has been in liquidation since 1 October 2020 (day of the demerger) and aims to run off its assets. The liquidation of the UCITS will be finalised as soon as the recovery of all of its illiquid assets has been completed.**

The UCITS was demerged on the basis of its estimated value on 30 September 2020, in accordance with the conditions set out in Article L.214-8-7 of the French Monetary and Financial Code.

All of the liquid assets of the UCITS have been transferred into a new UCITS, "H2O MODERATO FCP", a fund that replicates the UCITS as at 1 October 2020.

The UCITS is in a gradual liquidation and has retained all of the illiquid assets in its portfolio, the disposal of which is not in the interest of the unitholders. The UCITS is managed in run-off mode: it aims firstly to liquidate assets under the best conditions for unitholders and secondly to invest available cash pending the reimbursement of unitholders or the payment of expenses related to the operation of the UCITS or the recovery of assets.

Any active management of the UCITS is prohibited. Only acts of management that are intended to protect the interests of the unitholders and to ensure the dissolution of the UCITS under the conditions defined above are authorised.

For the purposes of the gradual liquidation of the UCITS, and in the interest of the unitholders, the investment rules for UCITS laid down in the French Monetary and Financial Code may not be followed.

The UCITS may not be subscribed to and/or redeemed. Units of the UCITS will be redeemed as and when its assets are disposed of, or at a later date, after deduction of operating and asset recovery costs. Indeed, the UCITS must ensure that it holds the cash required to manage its assets in run-off mode.

An estimated value of the UCITS, above which units cannot be subscribed or redeemed, is established on the last trading day of the Paris Stock Exchange of each month, unless that falls on a French public holiday. In such cases, the estimated value will be calculated on the trading day preceding the holiday.

From 31 December 2020:

**The Management Company of the Fund is:**

H2O AM EUROPE

39 Avenue Pierre 1er de Serbie

75008 Paris, France

The Management Company is acting as the Fund's liquidator. To that end, the liquidator is vested with the broadest powers to realise the assets, pay any creditors and distribute the available balance among the unitholders in cash or securities.

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

The Portfolio Management Company's decision to delegate duties to third parties does not affect the liability of the Management Company or that of the Depositary.

The new ISIN codes are as follows:

<b>Units</b>	<b>ISIN codes</b>
<b>SR (EUR)</b>	FR0013535176
<b>HUSD SR</b>	FR0013535184
<b>HCHF SR</b>	FR0013535192
<b>HCHF-N (C)</b>	FR0013535200
<b>HJPY-I (C)</b>	FR0013535218
<b>HUSD-R (C)</b>	FR0013535226
<b>HUSD-I (C)</b>	FR0013535234
<b>N(C)</b>	FR0013535242
<b>HGBP-I (C)</b>	FR0013535259
<b>HCHF I (C)</b>	FR0013535267
<b>I</b>	FR0013535275
<b>R</b>	FR0013535283
<b>HCHF R (C)</b>	FR0013535309

The information set out below is the prospectus information that was applicable prior to the demerger.

## I GENERAL FEATURES

□ **NAME: H2O MODERATO SP**

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

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

French mutual fund (FCP).

□ **INCEPTION DATE AND EXPECTED DURATION:**

The Fund was created on 23 August 2010 for a term of 99 years.

□ **DATE OF AMF APPROVAL:**

The Fund was approved by the Autorité des Marchés Financiers (AMF), the French financial markets authority, on 6 August 2010.

□ **SUMMARY OF THE MANAGEMENT OFFER:**

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, particularly private individuals	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0010923367	Accumulation	Euro	EUR 100
EUR-I(C) unit	All subscribers, particularly institutional investors	EUR 100,000	1 ten-thousandth of a unit	FR0010929836	Accumulation	Euro	EUR 50,000
HCHF-R(C) unit*	All subscribers, particularly private individuals	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0011061779	Accumulation	CHF	CHF 100
HCHF-I(C) units*	All subscribers, particularly institutional investors	CHF 100,000	1 ten-thousandth of a unit	FR0011973643	Accumulation	CHF	CHF 50,000
HCHF-N(C) unit*	All subscribers, more specifically, individuals subscribing through distributors or intermediaries: - subject to national legislation prohibiting all retrocessions to distributors or - providing an independent advisory service as defined by the European MiFID II regulation or an individual portfolio management service under mandate.	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0013318110	Accumulation	CHF	CHF 100
HUSD-R(C) unit**	All subscribers, particularly private	1 ten-thousandth of	1 ten-thousandth of a unit	FR0013055209	Accumulation	USD	USD 100

Unit classes	Target subscribers	Minimum initial subscription	Minimum subsequent subscription	ISIN code	Allocation of distributable income	Base currency	Initial net asset value
	individuals	a unit					
HUSD-I(C) units**	All subscribers, particularly institutional investors	USD 100,000	1 ten-thousandth of a unit	FR0013055217	Accumulation	USD	USD 50,000
HJPY-I(C) unit****	All subscribers, particularly institutional investors	JPY 15,000,000	1 ten-thousandth of a unit	FR0013318128	Accumulation	JPY	JPY 10,000
HGBP-I(C) units****	All subscribers, particularly institutional investors	GBP 100,000	1 ten-thousandth of a unit	FR0013185220	Accumulation	GBP	GBP 100
EUR-SR (C) unit	All subscribers, particularly private individuals	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0013393295	Accumulation	EUR	EUR 100
HUSD-SR (C) unit	All subscribers, particularly private individuals	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0013393303	Accumulation	USD	USD 100
HCHF-SR (C) unit	All subscribers, particularly private individuals	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0013393311	Accumulation	CHF	CHF 100

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

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

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

\*\*\*\* Unit systematically hedged against EUR/JPY currency 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 LLP

10 Old Burlington Street

London W1S 3AG, United Kingdom

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

Any further information may be obtained from H2O AM LLP 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 Parties involved**

**□ MANAGEMENT COMPANY:**

H2O AM LLP

Legal form: Limited liability partnership under English law

Authorised by the Financial Conduct Authority of the United Kingdom under number 529105

10 Old Burlington Street

London W1S 3AG, United Kingdom

□ **DEPOSITARY AND CUSTODIAN:**

Company name: CACEIS Bank

Legal form: Credit institution approved by the CECEI (French credit institutions and investment firms committee)

Registered office: 1-3 place Valhubert, 75013 Paris, France

Postal address: 1-3 place Valhubert, 75206 Paris Cedex 13, France

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

The duties of the custodian include, as defined by the applicable regulations, taking custody of the assets, ensuring that decisions taken by the management company are lawful, and monitoring the UCITS' cash flows.

The custodian is independent from the management company.

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

Updated information is made available to investors upon request.

□ **CLEARING HOUSE:**

- Company name: CACEIS BANK

- Legal form: credit institution approved by the CECEI (French credit institutions and investment firms committee)

- Registered office: 1-3 place Valhubert, 75013 Paris, France

- Postal address: 1-3 place Valhubert, 75206 Paris Cedex 13, France

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

□ **PRIME BROKER:**

None

□ **STATUTORY AUDITOR:**

KPMG Audit

Represented by Ms Isabelle Bousquie

Registered office: 1 cours de Valmy, 92923 Paris La Défense Cedex, France

□ **MARKETING AGENTS:**

**NATIXIS INVESTMENT MANAGERS S.A.**

A limited company and management company created under Luxembourg law, listed in the Luxembourg Trade and Companies Register under number B115843, which has its registered office located at 2 rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg.

The marketing agent is the institution that oversees the marketing of the Fund. The Fund's management company would like to remind subscribers that not all marketing agents are appointed by or known to the company.

□ **REPRESENTATIVES:**

**Party responsible for accounting:**

Company name: CACEIS Fund Administration, which conducts the Fund's accounting management and valuation on behalf of H2O AM LLP

Registered office: 1-3 place Valhubert, 75013 Paris, France

Postal address: 1-3 place Valhubert, 75206 Paris Cedex 13, France

Nationality: French

## II OPERATING AND MANAGEMENT CONDITIONS

### 1 General features:

#### □ **RIGHTS ASSOCIATED WITH THE UNIT CLASS:**

Each unitholder has co-ownership rights proportional to the number of units held. Information on changes affecting the Fund is communicated to unitholders by any means in line with the instructions of the Autorité des Marchés Financiers, the French financial markets authority, hereinafter "the AMF". 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, acting on behalf of the unitholders and in their exclusive interest.

The management company's voting policy may be viewed at the registered office of the management company or at [www.h2o-am.com](http://www.h2o-am.com)

Type of unit: registered or bearer

#### ◆ Division of units:

EUR-R(C), EUR-N(C), EUR-N(D), HCHF-N(C), HCHF-R(C), HUSD-R(C), EUR-I(C), EUR-I(D), HSEK-R(C), HCHF-I(C), HUSD-I(C), HJPY-I(C), HSEK-I(C), HGBP-I(C), HGBP-I(D), EUR-SR (C), HUSD-SR (C) and HCHF-SR (C) units are divided into ten-thousandths of a unit.

#### □ **FINANCIAL YEAR-END:**

Last trading day of September.

The end of the first financial year was the last trading day of September 2011.

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

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

## 2 Specific provisions

### □ ISIN CODES:

Units	ISIN code
EUR-I (C)	FR0010929836
EUR-I (D)	FR0013348653
EUR-R (C)	FR0010923367
EUR-N (C)	FR0013185196
EUR-N (D)	FR0013348646
HCHF-R (C)	FR0011061779
HCHF-I (C)	FR0011973643
HCHF-N (C)	FR0013318110
HUSD-R (C)	FR0013055209
HUSD-I (C)	FR0013055217
HSEK-R (C)	FR0013185204
HSEK-I (C)	FR0013185212
HGBP-I(C)	FR0013185220
HGBP-I(D)	FR0013348661
HJPY-I(C)	FR0013318128
EUR-SR (C)	FR0013393295
HUSD-SR (C)	FR0013393303
HCHF-SR (C)	FR0013393311

### □ 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 of other UCIs (UCITS or AIFs) or investment funds.

### □ MANAGEMENT OBJECTIVE:

The Fund's objective is to outperform the daily compounded EONIA index by 2% per year over its minimum recommended investment period for EUR-I units, and by 1.60% per year over its minimum recommended investment period for the EUR-R unit, and by 1.10% per year over its minimum recommended investment period for the EUR-SR unit after the deduction of management and operating fees.

The objective of EUR-N units is to outperform the daily compounded EONIA index by 1.90% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HCHF-R units) is to outperform the CHF 1-month LIBOR by 1.60% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HCHF-SR units) is to outperform the CHF 1-month LIBOR by 1.10% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HCHF-N units) is to outperform the Swiss CHF 1-month Libor interest rate by 1.90% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HJPY-I units) is to outperform the JPY 1-month Libor interest rate by 2% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HCHF-I units) is to outperform the CHF 1-month LIBOR by 2% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HUSD-R units) is to outperform the USD 1-month LIBOR by 1.60% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HUSD-SR units) is to outperform the USD 1-month LIBOR by 1.10% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HUSD-I units) is to outperform the USD 1-month LIBOR by 2% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HSEK-R units) is to outperform the Swiss SEK 1-month LIBOR by 1.60% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of the unit hedged against the currency risk (HSEK-I units) is to outperform the Swiss SEK 1-month LIBOR by 2% per year over its minimum recommended investment period, after the deduction of management and operating fees.

The objective of units hedged against the currency risk (HGBP-I units) is to outperform the GBP 1-month LIBOR by 2% per year over its minimum recommended investment period, after the deduction of management and operating fees.

□ **REFERENCE INDEX:**

The daily capitalised EONIA index (Overnight Indexed Swap or OIS method) is the Fund's reference market index for EUR-I, EUR-R, EUR-SR and EUR-N units.

The EONIA ("European Overnight Index Average") rate corresponds to the average day-to-day rate in the eurozone. It is calculated by the European Central Bank and published by the European Banking Federation on [www.emmi-benchmarks.eu](http://www.emmi-benchmarks.eu).

The administrator of this index is the European Money Markets Institute (EMMI). The index is available on the website: [www.emmi-benchmarks.eu](http://www.emmi-benchmarks.eu)

As at 6 August 2018, the administrator of the reference index is not yet recorded on the register of administrators and reference indices held by ESMA.

For units hedged against the currency risk (HCHF-R, HCHF-I, HCHF-SR and HCHF-N units), the reference index is the CHF 1-month LIBOR.



The CHF LIBOR rate is the Swiss 1-month reference interest rate.

For units hedged against the currency risk (HUSD-R, HUSD-SR and HUSD-I units), the reference index is the USD 1-month LIBOR interest rate.

For units hedged against the currency risk (HJPY-I units), the reference index is the JPY 1-month Libor interest rate.

The USD 1-month LIBOR (London Interbank Offered Rate) interest rate is the average rate at which a selection of large London-based banks agree to lend to one another in US dollars with a maturity of one month. It is calculated every working day at 11.00 a.m. (London time) and published by the British Bankers' Association (BBA).

For units hedged against the currency risk (HSEK-I and HSEK-R units), the reference index is the SEK 1-month LIBOR interest rate.

The SEK 1-month **LIBOR** (London Interbank Offered Rate) interest rate is the average rate at which a selection of large London-based banks agree to lend to one another in Swedish krona with a maturity of one month. It is calculated every working day at 11.00 a.m. (London time) and published by the British Bankers' Association (BBA).

For units hedged against the currency risk (HGBP-I units), the reference index is the GBP 1-month LIBOR interest rate.

The GBP 1-month **LIBOR** (London Interbank Offered Rate) interest rate is the average interest rate at which a selection of large London-based banks agree to lend to one another in pounds sterling with a maturity of one month. It is calculated every working day at 11.00 a.m. (London time) and published by the British Bankers' Association (BBA).

#### □ **INVESTMENT STRATEGY:**

##### A) Description of the strategies employed

The portfolio management team implements strategic and tactical positions as well as arbitrages on all international interest rate, equity and currency markets

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

The Fund's performance objective will be sought within a maximum ex-ante "Value-at-Risk" (VaR) of 10% over 20 days, with a confidence interval of 99% and within an average annual ex-post volatility of [4-7%].

The Fund's performance has stronger links to relative trends in the markets (relative and arbitrage positions) than to the general direction of these markets (directional positions).

For each asset class, a specific exposure may be implemented, separately from the other asset classes. The Fund's asset allocation is therefore a consequence of these exposure choices.

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

The overall modified duration of the Fund is comprised within a range from -4 to +4.

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

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

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

1. **Active management of exposure to the overall credit risk**, up to a limit of 75% of the portfolio's net assets;
2. Allocation of the overall credit risk between the main credit market segments: "investment grade" and "speculative grade" debt on the one hand and external and local debt of non-OECD countries on the other hand;
3. Selection of issuers in each of these segments.

**Currency management:**

1. **Strategic exposure to the US dollar:** purchase or sale of the US dollar against all other currencies;
2. **Relative allocation between the three main currency "blocs":** "European currencies" 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); "commodity currency" bloc (where currency trends are linked to commodity prices: mainly the 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 three blocs;
4. Diversification among non-OECD market currencies.

**Equity management:**

1. **Active management of exposure to the asset class** within a range of [-15%; +15%] of the net assets in accordance with the bullish or bearish expectations of the management team;
2. **Positive or negative allocation of this exposure among geographic regions**, in accordance with the relative performance expectations of the management team;
3. Positive or negative sector allocation, in accordance with the relative performance expectations of the management team;
4. **Selection of securities from different sectors**, through the purchase or sale of equities.

The HCHF-R, HCHF-I, HCHF-N and HCHF-SR units are hedged against the EUR/CHF currency risk to limit the impact of fluctuations in the EUR/CHF exchange rate on the Fund's performance.

This unit class therefore aims to achieve the best hedging against the EUR/CHF currency risk during the investment term of the Fund, which could affect performance.

The HUSD-R, HUSD-I and HUSD-SR units are hedged against the EUR/USD currency risk to limit the impact of fluctuations in the EUR/USD exchange rate on the Fund's performance.

This unit class therefore aims to achieve the best hedging against the EUR/USD currency risk during the investment term of the Fund, which could affect performance.

The HJPY-I units are hedged against the currency risk to limit the impact of fluctuations in the EUR/JPY exchange rate on the Fund's performance.

This unit class therefore aims to achieve the best hedging against the EUR/JPY currency risk during the investment term of the Fund, which could affect performance.

The HSEK-R and HSEK-I units are hedged against the EUR/SEK currency risk to limit the impact of fluctuations in the EUR/SEK exchange rate on the Fund's performance.

This unit class therefore aims to achieve the best hedging against the EUR/SEK currency risk during the investment term of the Fund, which could affect performance.

The HGBP-I units are hedged against the EUR/GBP currency risk to limit the impact of fluctuations in the EUR/GBP exchange rate on the Fund's performance.

This unit class therefore aims to achieve the best hedging against the EUR/GBP currency risk during the investment term of the Fund, which could affect performance.

B) Description of asset classes and financial contracts in which the Fund intends to invest and their contribution to the achievement of the management objective

### **2-1 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 ratings restrictions;
- up to **60% of the net assets in non-government bonds** issued by companies with their registered office in an OECD country. The management company relies on its teams and its own methodology to appraise credit risk. In addition to this appraisal, the securities in question are subject to a minimum rating constraint corresponding to "investment grade" (for example, BBB- according to Standard & Poor's or Fitch Ratings rating scales, or Baa3 according to Moody's).

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

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

The Fund may, however, continue to hold bonds for which the initial rating has subsequently been downgraded.

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 management company 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** (MBS – securitisation of mortgage loan portfolios and ABS – securitisation of portfolios of non-mortgage loans such as consumer credit, automobile credit and credit cards). The management team 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 management company'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 management company's analysis.

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

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

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 rating, the management company 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.

The Fund may, however, continue to hold ABS and MBS for which the initial rating has subsequently been downgraded (with no ratings restrictions).

- Up to **15% of the assets in OECD corporate bonds rated "speculative grade" at purchase and non-OECD government and corporate bonds with no rating restrictions**, issued in G4 currencies (USD, EUR, GBP, JPY) or in local currencies.
- Up to 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, commercial paper, Euro Commercial Paper and money market UCITS) 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, up to a total exposure limit of 15% of the net assets.

Active management of the risk related to the purchase and sale of equities will be conducted up to an exposure limit of between -15% and +15% 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	[-4 ; +4]
OECD government bonds	Maximum 100% of net assets
OECD non-government bonds rated investment grade at purchase	Maximum 60% 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 15% of net assets
Equities from developed and emerging markets	Exposure between [-15%; +15%] of the net assets
of which shares not included in the MSCI World All Countries Index	Maximum 10% of net assets

## 2-2 Specific instruments

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

On an ancillary basis, in order to invest its cash and cash equivalents, the Fund may hold shares or units in UCITS, UCIs or investment funds, specifically in money market UCITS/AIFs/investment funds, up to a limit of 10%:

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

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

The UCI held by the Fund may be managed by the management company or by a legally affiliated company.

### 2-2.2 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.

## TABLE OF DERIVATIVES

<b>Type of instrument used</b>	<b>MARKET TYPE</b>			<b>RISK TYPE</b>					<b>OPERATION TYPE</b>			
	Admission to regulated markets *	Organised markets	Over-the-counter markets	Equity	Interest rate	Currency	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	X	
<b>Options on</b>												
Equities	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	
<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	
<b>Forex forward</b>												
Currency			X			X		X	X	X	X	
<b>Credit derivatives</b>												
Credit default swaps (CDS)			X					X	X	X	X	
First-to-default												
First-loss credit default swap												

\* See the management company's policy on order execution 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 100% of the net assets. Under normal market conditions, the Management Company expects such transactions to involve up to 100% 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 Management Company in accordance with the counterparty selection procedure available on the Management Company's website at the following address: [www.h2o-am.com](http://www.h2o-am.com).

The Management Company 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 Management Company.

These transactions are systematically covered by a contract signed between the Management Company 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.

**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.

**2-2.3 Securities with embedded derivatives:**

The Fund may also invest in securities with embedded derivatives, i.e. share subscription warrants, callable and puttable rate products and convertible and exchangeable bonds. The use of securities with embedded derivatives aims to achieve the Fund's management objective by fulfilling the same functions as derivatives.

**TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES**

<i>Type of instrument used</i>	RISK TYPE					OPERATION TYPE			
	Equity	Interest rate	Currency	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 (to be specified)</b>									

**2-3 Deposits:**

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

**2-4 Cash and cash equivalents:**

The Fund may hold cash and cash equivalents on an ancillary basis.

**2-5 Cash borrowings:**

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



## **2-6 Temporary purchases and sales of securities:**

The Management Company 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	<input checked="" type="checkbox"/>
Securities lending and borrowing in accordance with the French Monetary and Financial Code	<input checked="" type="checkbox"/>
Other	

<b>Types of operation, all of which must be limited to the achievement of the management objective</b>	
Cash management	<input checked="" type="checkbox"/>
Optimisation of the Fund's income and performance	<input checked="" type="checkbox"/>
Other	

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

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

The purpose of using temporary sales of securities is to obtain an additional return for the 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.

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

### **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 Management Company'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 Management Company 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.

□ **RISK PROFILE:**

Your money will be primarily invested in financial instruments selected by the management company. These instruments will be subject to market fluctuations and risks.

The net asset value is liable to fluctuate widely due to the financial instruments that make up the Fund's 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 paper 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.

Owing to its investment strategy, the Fund is subject to a significant credit risk. 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 loans, mortgages, SME loans, trade receivables, etc.) and from specific risks, particularly those associated with the occasionally complex legal structure and the operators involved in the transaction.

**Interest rate risk:** This is the risk of a fall in the value of interest rate instruments due 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%.

**Equity risk:** This is the risk of a drop in shares and/or indices associated with the investment and/or with the exposure of the share portfolio or with indices. As a result of its investment strategy, the Fund is subject to a significant equity risk.

If this risk occurs, it may lead to a fall in the net asset value of the Fund.

**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, owing in particular to a lack of trading on the market or to regulatory restrictions; as a result, holding such securities may result in departures from the Fund's normal operation in accordance with the UCITS' regulations and if the interests of investors so dictate. Moreover, since downward movements on the market may be faster and more pronounced than on developed markets, the net asset value may fall more sharply and rapidly.

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

**Currency risk:** 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 HCHF units, denominated in CHF, the EUR/CHF currency risk is hedged at the unit level. Holders are therefore protected from this EUR/CHF currency risk.

For HUSD-I units, denominated in USD, the EUR/USD currency risk is hedged at the unit level. Holders are therefore protected from this EUR/USD currency risk.

For HJPY-I units, denominated in JPY, the EUR/JPY currency risk is hedged at the unit level. Holders are therefore protected from this EUR/JPY currency risk.

For HSEK units, denominated in SEK, the EUR/SEK currency risk is hedged at the unit level. Holders are therefore protected from this EUR/SEK currency risk.

For HGBP-I units, denominated in GBP, the EUR/GBP currency risk is hedged at the unit level. Holders are therefore protected from this EUR/GBP currency risk.

**Overexposure risk:** 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 predefined modified duration range. 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).

**Risk associated with investments in contingent convertible bonds:**

The Fund may invest in contingent convertible subordinated bonds, also known as CoCo bonds, which are fixed-income securities that incorporate either an option to convert into shares or an option to impair the security, which is triggered in the event of the issuer's level of capital falling below a predetermined threshold. In addition to the interest rate and credit risk inherent to bonds, the activation of this option may cause the Fund's net asset value to fall more significantly than would be caused by other conventional bonds from the issuer.

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

EUR-R, EUR-I, HCHF, HUSD, HJPY-I, HSEK, HGBP, EUR-SR, HUSD-SR and HCHF-SR units are open to all subscribers.

EUR-N and HCHF-N units are intended for investors subscribing via distributors or intermediaries:

- subject to national legislation prohibiting all retrocessions to distributors

or

- providing an independent advisory service as defined by the European MiFID II regulation or an individual portfolio management service under mandate.

R, HCHF-R, HUSD-R and HSEK-R units are primarily aimed at private individuals. EUR-I, HCHF-I, HJPY-I, HUSD-I, HSEK-I and HGBP-I units are primarily aimed at institutional investors.

The Fund is aimed at investors who wish to invest the long part of their cash in order to outperform the capitalised EONIA only over an investment period of at least the minimum recommended investment period.

Minimum recommended investment period: 2 to 3 years.

The Fund's units may not be offered or sold in the United States of America to or on behalf of a "US Person" as defined by Regulation 902 of Regulation S under the United States Securities Act of 1933. Prospective unitholders must confirm that they are not a US Person and that they are not subscribing on behalf of a US Person or with the intention of reselling the units to a US Person.

The amount that it is appropriate to invest in the Fund will depend 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 involves a diversification of investments.**

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

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

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

EUR-R(C), EUR-N(C), HCHF-N(C), HCHF-R(C), HUSD-R(C), EUR-I(C), HCHF-I(C), HUSD-I(C), HJPY-I(C), HSEK-R(C), HSEK-I(C), EUR-SR, HUSD-SR, HCHF-SR and HGBP-I(C) units are accumulation units.

The EUR-I (D), HGBP-I (D) and EUR-N (D) units are distribution units. The net income is distributed in the form of an annual dividend paid within five months of the end of the financial year.

Net realised capital gains are distributed annually, in full or in part and/or accumulated and/or carried forward, after the end of the financial year, at the discretion of the management company.

The management company reserves the right to pay interim dividends from this distributable income (net income and net realised capital gains).

□ **UNIT FEATURES:**

	ISIN code	Base currency	Allocation of distributable income	Splitting of unit	Minimum initial investment	Minimum subsequent investment
EUR-R(C) unit	FR0010923367	Euro	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
EUR-N(C) unit	FR0013185196	Euro	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
EUR-N(D) unit	FR0013348646	Euro	Net income: Distribution	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HCHF-R unit	FR0011061779	CHF	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HCHF-I(C) unit	FR0011973643	CHF	Accumulation	Ten-thousandths	CHF 100.000	1 ten-thousandth of a unit
HCHF-N(C) unit	FR0013318110	CHF	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HUSD-R unit	FR0013055209	USD	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HUSD-I unit	FR0013055217	USD	Accumulation	Ten-thousandths	USD 100.000	1 ten-thousandth of a unit
EUR-I(C) unit	FR0010929836	Euro	Accumulation	Ten-thousandths	EUR 100.000	1 ten-thousandth of a unit
EUR-I(D) unit	FR0013348653	Euro	Net income: Distribution	Ten-thousandths	EUR 100.000	1 ten-thousandth of a unit
HSEK-R(C) unit	FR0013185204	SEK	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HSEK-I(C) unit	FR0013185212	SEK	Accumulation	Ten-thousandths	SEK 1.000.000	1 ten-thousandth of a unit
HGBP-I(C) unit	FR0013185220	GBP	Accumulation	Ten-thousandths	GBP 100.000	1 ten-thousandth of a unit
HGBP-I(D) unit	FR0013348661	GBP	Net income: Distribution	Ten-thousandths	GBP 100.000	1 ten-thousandth of a unit
HJPY-I(C) unit	FR0013318128	JPY	Accumulation	Ten-thousandths	JPY 15,000,000	1 ten-thousandth of a unit

	ISIN code	Base currency	Allocation of distributable income	Splitting of unit	Minimum initial investment	Minimum subsequent investment
EUR-SR (C) unit	FR0013393295	EUR	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HUSD-SR (C)	FR0013393303	USD	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HCHF-SR (C)	FR0013393311	CHF	Accumulation	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit

□ **SUBSCRIPTION AND REDEMPTION PROCEDURES:**

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

Institution appointed to receive subscriptions and redemptions: CACEIS Bank, 1-3, Place Valhubert, 75013 Paris, France

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.

Orders are executed in accordance with the table below:

For units denominated in EUR and GBP:

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

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

For units denominated in other currencies:

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

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

Procedures for switching to another unit class and tax consequences: switching between two unit classes constitutes a sale followed by a subscription. It is likely to generate, for the unitholder, a taxable capital gain.

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

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

The net asset value may be obtained from the management company:

H2O AM LLP  
10 Old Burlington Street, London W1S 3AG, United Kingdom  
Website: « [www.h2o-am.com](http://www.h2o-am.com) »

□ **FEES AND COMMISSIONS:**

Subscription and redemption fees:

Subscription and redemption fees increase the subscription price paid by the investor or reduce the redemption price. The fees charged by the UCITS serve to offset the charges it incurs when investing and divesting investors' assets. Fees that are not paid to the Fund are paid to the management company, marketing agent, 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 retained by the UCITS	Net asset value X Number of units	<b><u>EUR-R, HCHF-R, HUSD-R and HSEK-R, EUR-SR, HUSD-SR and HCHF-SR units:</u></b> 2% maximum
Maximum subscription fee reserved for the management company	Net asset value X Number of units	<b><u>EUR-N and HCHF-N I, HJPY-I, HCHF-I, HUSD-I, HSEK-I and HGBP-I units:</u></b> 1% maximum
Subscription fee retained by the UCITS	Net asset value X Number of units	<b><u>EUR-R, HCHF-R, HUSD-R and HSEK-R:</u></b> 5% maximum
Maximum redemption fee not retained by the UCITS	Net asset value X Number of units	None
Redemption fee retained by the UCITS	Net asset value X Number of units	None

Fees charged to the UCITS:

These fees cover:

- Financial management fees;
- Administrative fees not related to the management company;
- Maximum indirect costs (commissions and management fees) for UCITS investing over 20% in other UCITSs, AIFs or investment funds;
- Transfer fees;
- Performance fees.

<b>Fees charged to the UCITS</b>	<b>Basis</b>	<b>Rate scale</b>
Financial management fees	Net assets	EUR-SR, HUSD-SR and HCHF-SR: Maximum 1,40% incl. tax
Administrative fees not related to the management company		EUR-N, HCHF-N units: Maximum 0.60% incl. tax  EUR-R units: Maximum 1.20% incl. tax HCHF-R, HUSD-R, HSEK-R units: maximum 1% incl. tax  EUR-I, HJPY-I, HCHF-I, HUSD-I HSEK-I and HGBP-I units: Maximum 0.50% incl. tax
Performance fee	Positive difference between valued assets and reference assets	25% (including tax), of the outperformance relative to the index shown below
Transfer fees	Deducted from each transaction or operation based on the distribution key between providers	A maximum rate scale of 0.01% per month on financial instruments and a maximum of €400 per month for the administration of over-the-counter transactions.

HCHF-R, HCHF-I, HCHF-N and HCHF-SR units are hedged against the currency risk for the portion of assets affected by the euro/Swiss franc exchange rate. As such, slight structural differences in outperformance will be detected when comparing against I, N, SR and R units in euros. These differences are mainly linked to imperfections in hedging against the currency risk and to the difference between Swiss interest rates (CHF 1-month LIBOR) and the EONIA rate.

HUSD-R, HUSD-I and HUSD-SR units are hedged against the currency risk for the portion of assets affected by the euro/US dollar exchange rate. As such, slight structural differences in outperformance will be detected when comparing against I, R, SR and N units in euros. These differences are mainly linked to imperfections in hedging against the currency risk and to the difference between interest rates (USD 1-month LIBOR) and the EONIA rate.

HJPY-I units are hedged against the currency risk for the portion of assets affected by the EUR/JPY exchange rate. As such, slight structural differences in outperformance will be detected when comparing against I, R, SR and N units in euros. These differences are mainly linked to imperfections in hedging against the currency risk and to the difference between interest rates (JPY 1-month Libor) and the EONIA rate.

HSEK-R and HSEK-I units are hedged against the currency risk for the portion of assets affected by the euro/Swedish krona exchange rate. As such, slight structural differences in outperformance will be detected when comparing against I, R, SR and N units in euros. These differences are mainly linked to imperfections in hedging against the currency risk and to the difference between interest rates (SEK 1-month LIBOR) and the EONIA rate.

HGBP-I units are hedged against the currency risk for the portion of assets affected by the euro/pound sterling exchange rate. As such, slight structural differences in outperformance will be detected when



comparing against I, R, SR and N units in euros. These differences are mainly linked to imperfections in hedging against the currency risk and to the difference between interest rates (GBP 1-month LIBOR) and the EONIA rate.

The performance fee applicable to a particular unit class is based on a comparison of the Fund's valued assets with its reference assets.

**The Fund's valued assets** are the portion of assets corresponding to a specific unit class, valued in accordance with the rules applicable to the assets and taking into account the actual operating and management fees corresponding to this unit class.

**The Fund's reference assets** are the portion of assets corresponding to a specific unit class, adjusted for the amounts of subscriptions/redemptions applicable to this unit class at each valuation and valued in accordance with the performance of the reference index (i.e. the reference rate) of the Fund.

The reference rate is the compounded EONIA plus 2% per year for I units, plus 1.60% per year for EUR-R units and plus 1.90% for EUR-N units and plus 1.10% for EUR-SR. It is denominated in euros.

The reference rate is the CHF 1-month LIBOR rate plus 1.60% per year for HCHF-R units and plus 2% per year for HCHF-I units and plus 1.10% per year for HCHF-SR. It is denominated in Swiss francs.

The reference rate is the USD 1-month LIBOR rate plus 1.60% per year for HUSD-R units and plus 2% per year for HUSD-I units and plus 1.10% per year for HUSD-SR. It is denominated in US dollars.

The reference rate is the SEK 1-month LIBOR rate plus 1.60% per year for HSEK-R units and plus 2% per year for HSEK-I units. It is denominated in Swedish krona.

The reference rate is the GBP 1-month LIBOR rate plus 2% per year for HGBP-I units. It is denominated in pounds sterling.

The reference rate is the JPY 1-month LIBOR rate plus 2% per year for HJPY-I units. It is denominated in Japanese yen.

The reference rate is the CHF 1-month LIBOR rate plus 1.9% per year for HCHF-N units. It is denominated in Swiss francs.

The Fund's performance is calculated on the basis of changes in the net asset value of each unit class.

The observation period is defined as follows:

For EUR-I (D), EUR-N (D) and HGBP- I (D) units

- Initial observation period: from 6 August 2018 to the last trading day of September 2019;
- for the following observation periods: from the first trading day in October to the last trading day in September of the following year.

For EUR-R and EUR-I(C) units:

- Initial observation period: from 1 September 2010 to the last trading day of September 2011;
- Subsequent observation periods: from the first trading day of October to the last trading day of September the following year.

For HCHF-R units:

- Initial observation period: from 16 June 2011 to the last trading day of September 2012;
- Subsequent observation periods: from the first trading day of October to the last trading day of September the following year.

For HCHF-I units:

- Initial observation period: from 20 June 2014 to the last trading day of September 2015;
- Subsequent observation periods: from the first trading day of October to the last trading day of September the following year.

For HUSD-R and HUSD-I units:

- Initial observation period: from 7 December 2015 to the last trading day of September 2016;
- Subsequent observation periods: from the first trading day of October to the last trading day of September the following year.

For HCHF-N and HJPY-I units:

- Initial observation period: from 21 March 2018 to the last trading day of September 2019;
- for the following observation periods: from the first trading day in October to the last trading day in September of the following year.

For N(C), HSEK-R, HSEK-I and HGBP-I(C) units:

- Initial observation period: from 25 June 2016 to the last trading day of September 2017.
- Subsequent observation periods: from the first trading day in October to the last trading day of September the following year.

For EUR-SR, HUSD-SR and HCHF-SR units:

- Initial observation period: from 7 January 2019 to the last trading day of September 2020.
- Subsequent observation periods: from the first trading in October to the last trading day of September the following year.

At the beginning of each observation period, the reference assets used will be the highest of the asset value recorded:

- on 31 August 2010 for EUR-R and EUR-I(C) units,
- on 15 June 2011 for HCHF-R units,
- on 20 June 2014 for HCHF-I units,
- on 7 December 2015 for HUSD-R and HUSD-I units,
- on 25 July 2016 for EUR-N(C), HSEK-R, HSEK-I and HGBP-I(C) units
- on 6 August 2018 for EUR-I(D), EUR-N(D) and HGBP-I(D) units
- on 7 January 2018 for EUR-SR, HUSD-SR and HCHF-SR units.

and all valued assets observed on the last trading day of each observation period established since the launch of the Fund.

If necessary, the reference assets will be adjusted to take into account the amounts of any subscriptions/redemptions occurring between the recording date for the reference assets and the start of the new observation period.

If, during the observation period, the Fund's valued assets exceed the reference assets as defined above, the variable portion of the management fees will represent up to 25% of the difference between these two asset values.

If, during the observation period, the Fund's valued assets are lower than the reference assets, the variable portion of the management fees will be zero.

If, during the observation period, the Fund's valued assets are higher than the reference assets, this difference will be subject to a provision for variable management fees at the time of the net asset value calculation.

In the event that the Fund's valued assets are lower than the reference assets between two net asset values, any previously approved provision will be replaced with a new provision. The new provisions must not exceed the previous allocations.

This variable portion will be collected at the end of each observation period only if, over the elapsed period, the Fund's valued assets exceed the reference assets at the time of the final net asset value.

In the event of redemption, the portion of the provision corresponding to the number of units redeemed accrues permanently to the management company.

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

All remuneration from these operations is retained in full by the Fund.

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

The management company has implemented a selection and assessment procedure for intermediaries, which takes into account such objective criteria as quality of research, commercial monitoring and execution. This procedure is available on the H2O AM LLP website 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 LLP  
10 Old Burlington Street, London W1S 3AG, United Kingdom  
E-mail: [info@h2o-am.com](mailto:info@h2o-am.com)  
These documents will be sent 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 LLP, from marketing agents' branches and online at [www.h2o-am.com](http://www.h2o-am.com)

**COMMERCIAL DOCUMENTATION**

Commercial documentation is available to the Fund's unitholders and subscribers at online at "[www.h2o-am.com](http://www.h2o-am.com)" or "[www.ostrum.com](http://www.ostrum.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 drawn up by the AMF.

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

**Environmental, Social and Governance (ESG) criteria:**

Information on the procedure for taking account of criteria relating to compliance with social, environmental 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 stipulated by the French Monetary and Financial Code.

## V OVERALL RISK

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

The indicative average level of the leverage effect for the UCITS is 9. However, the UCITS has the possibility of reaching a higher level of leverage. The indicative level of leverage for the UCITS is calculated as the sum of the nominal positions on the financial contracts that are used.

## VI ASSET VALUATION AND ACCOUNTING RULES

### **A Asset valuation rules**

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

The management company has delegated accounting management (including 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 when the accounts are closed, 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 prospectus publication date, are as follows:

#### **Equities**

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

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

#### **Bonds**

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

#### **Transferable securities**

Transferable securities for which the price has not been recorded on the valuation date or has been adjusted, are valued by the management company at their 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 the justifications for them during their audit.

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

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

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

### **Negotiable debt securities:**

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

- French fixed-rate, annual interest treasury bills (*Bons du Trésor à taux fixes et à intérêt annuel* – BTANs) and fixed rate bills (*Bons du Trésor à taux fixe* – BTFs) are valued on the basis of an average of contributed prices obtained from market makers;
- unlisted variable-rate debt securities are valued at cost price, adjusted to take account of any potential variations in credit spread;
- other fixed-rate negotiable debt securities (certificates of deposit, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

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

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

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

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

In the case of transferable securities that are unlisted or whose price has not been listed on the valuation date, as well as other items on the balance sheet, the management company's board of directors 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 the market price.

## **2 Futures and options transactions**

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

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

### **Swaps**

Asset swaps are valued at the market price based on the issuer's credit 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.

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

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

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

### **Forward exchange contracts:**

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

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

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

Off-balance sheet commitments are valued as follows:

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

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

Commitment = 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 the market price

° Variable rate/fixed rate

- Appraisal of the variable-rate portion at the market price

Non-backed:

° Fixed rate/variable rate

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

° Variable rate/fixed rate

- Appraisal of the variable-rate portion at the market price

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

These will be appraised at market value.

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

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

## **4 Currencies**

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

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

- Financial instruments for which the price has not been recorded on the valuation date are valued at the most recent officially published price or at their likely trading value, under the responsibility of the management company;
- Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the valuation date;
- 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 these valuations, are communicated to the statutory auditor during their audit.

### **⇒ Swing pricing mechanism of net asset value with trigger threshold (from 28 August 2017)**

As at 28 August 2017, 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**

The function of the Paying and Information Agent in the Federal Republic of Germany is performed by:

CACEIS Bank, Germany Branch  
Lilienthalallee 34 - 36,  
D-80939 Munich,  
Germany

(hereinafter: German Paying and Information Agent)

Applications for the redemptions and conversion of units may be sent to the German Paying and Information Agent.

All payments to investors, including redemption proceeds and potential distributions may be obtained upon request through the German Paying and Information Agent.

The following documents may be obtained, free of charge, in hardcopy form at the office of the German Paying and Information Agent:

- the prospectus,
- the key investor information document,
- the current annual and semi-annual reports,
- the Management Regulations,
- the custody agreement between the Management Company and CACEIS Bank.

The issue and redemption prices, the net asset value as well as any notices to investors are also available from the German Paying and Information Agent. 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](http://www.bundesanzeiger.de)").

In addition, 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 fund's rules which are inconsistent 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.