

## H2O MULTISTRATEGIES

### PROSPECTUS

DATED 7 OCTOBER 2019

#### I GENERAL FEATURES

□ **NAME: H2O MULTISTRATEGIES**

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

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

French mutual fund (FCP).

□ **INCEPTION DATE AND EXPECTED TERM:**

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

□ **DATE OF APPROVAL BY AMF:**

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

□ **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
R (C) units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0010923383	Accumulation	Euro	EUR 100
RUSD (C) unit	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0011978238	Accumulation	USD	USD 100
HCHF-R (C)* units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0011061803	Accumulation	CHF	CHF 100
HSGD-R (C)** units	All subscribers, although private individuals in particular	SGD 100	One ten-thousandth of a unit	FR0012517241	Accumulation	SGD	SGD 100
HUSD-R (C)*** units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013055225	Accumulation	USD	USD 100
HSEK-R (C)**** units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013187929	Accumulation	SEK	SEK 100
I (C) units	All subscribers, although institutional investors in particular	EUR 100,000	One ten-thousandth of a unit	FR0010930446	Accumulation	Euro	EUR 100,000

IUSD (C) units	All subscribers, although institutional investors in particular	USD 100,000	One ten-thousandth of a unit	FR0011978253	Accumulation	USD	USD 100,000
HCHF-I (C)* units	All subscribers, although institutional investors in particular	CHF 100,000	One ten-thousandth of a unit	FR0011978261	Accumulation	CHF	CHF 100,000
HSGD-I (C)** units	All subscribers, although institutional investors in particular	SGD 100,000	One ten-thousandth of a unit	FR0012517233	Accumulation	SGD	SGD 50,000
HUSD-I (C)*** units	All subscribers, although institutional investors in particular	USD 100,000	One ten-thousandth of a unit	FR0013055233	Accumulation	USD	USD 50,000
HSEK-I (C)**** units	All subscribers, although institutional investors in particular	SEK 1,000,000	One ten-thousandth of a unit	FR0013186723	Accumulation	SEK	SEK 100
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 intermediary	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013186749	Accumulation	Euro	EUR 100

\* Unit systematically hedged against the EUR/CHF foreign exchange risk

\*\* Unit systematically hedged against the EUR/SGD foreign exchange risk

\*\*\* Unit systematically hedged against the EUR/USD foreign exchange risk

\*\*\*\* Unit systematically hedged against the EUR/SEK foreign exchange 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 unitholder within eight working days of receipt of a written request addressed to:

H2O AM LLP

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

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.

**1 Parties involved**

□ **MANAGEMENT COMPANY:**

Company name: H2O AM LLP

Legal form: Limited Liability Partnership under English law, authorised by the Financial Conduct Authority of the United Kingdom under number 529105

Registered office: 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.

□ **CLEARING HOUSE:**

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 liability accounting for 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:**

KPMG AUDIT

Represented by Ms Isabelle Bousquié

Registered office: Tour EQHO 2 avenue Gambetta CS60055, 92066 PARIS LA DEFENSE CEDEX 1

□ **MARKETING AGENT:**

**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 entity that markets 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:**

**Delegation of accounting functions:**

Company name: CACEIS FUND ADMINISTRATION, which provides the Fund's 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

**Delegation of financial management:**

Company name: H2O AM EUROPE

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

Nationality: French

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

Address : 39 Avenue Pierre 1er de Serbie, 75008 Paris, France

The delegation of financial management covers the opportunities for share volatility.

**Sub-delegation of financial management:**

Company name: H2O MONACO

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 delegation of financial management covers tactical trading opportunities.

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.

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”. The 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 unitholders 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:

R, RUSD, HCHF-R, HSGD-R, HUSD-R, HSEK-R, I, IUSD, HCHF-I, HSGD-I, HUSD-I, HSEK-I and N units are split into ten-thousandths of a unit.

#### FINANCIAL YEAR-END:

Last trading day in March.

The end of the first financial year was the last trading day of March 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 shares or units 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:**

<b>Units</b>	<b>ISIN code</b>
R (C) units	FR0010923383
RUSD (C) units	FR0011978238
HCHF-R (C) units	FR0011061803
HSGD-R (C) units	FR0012517241
HUSD-R (C) units	FR0013055225
HSEK-R (C) units	FR0013187929
I (C) units	FR0010930446
IUSD (C) units	FR0011978253
HCHF-I (C) units	FR0011978261
HSGD-I (C) units	FR0012517233
HUSD-I (C) units	FR0013055233
HSEK-I (C) units	FR0013186723
N (C) units	FR0013186749

### □ **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 is managed in accordance with an active global balanced investment process striving to draw value from the changes on global fixed income, equity and currency markets, while remaining structurally long the G4 government bond and equity markets (USA, UK, Euro-zone and Japan), and their currencies.

The Fund aims to deliver a positive performance over its minimum recommended investment term, knowing that this performance may not be directly linked with that of a reference market index.

For indicative purposes only, the Fund's performance may be compared ex-post with that of the composite index made up of 50% of the JP Morgan Government Bond Index Broad and 50% of the MSCI World Developed Markets index (net dividends reinvested), over the recommended minimum investment term.

The MSCI World Developed Markets Index is denominated in euro for the I, R and N units, and in US dollar for the IUSD and RUSD units.

The JP Morgan Government Bond Index Broad is denominated in euro for the I, R and N units, and in US dollar for IUSD and RUSD units.

The HCHF-R and HCHF-I units are hedged against the EUR/CHF foreign exchange risk, taking into account the differential between the Swiss interest rate (CHF 1-month LIBOR) and the Eurozone rate (1-month EURIBOR), after deducting operational and management charges.

The HSGD-R and HSGD-I units are hedged against the EUR/SGD foreign exchange risk, taking into account the differential between the Singapore interest rate (1-month SIBOR) and the Eurozone (1-month EURIBOR) rate, after deducting operational and management charges.

For HUSD-R and HUSD-I units hedged against the EUR/USD foreign exchange risk, taking into account the differential between the US interest rate (USD 1-month LIBOR) and the Eurozone rate (1-month EURIBOR), after deducting operational and management charges.

For HSEK-R and HSEK-I units hedged against the EUR/SEK foreign exchange risk, taking into account the differential between the Swedish interest rate (SEK 1-month LIBOR) and the Eurozone rate (1-month EURIBOR), after deducting operational and management charges.

□ **BENCHMARK:**

The Fund aims to deliver a positive performance over its minimum recommended investment term, knowing that this performance may not be directly linked with that of a reference market index.

For indicative purposes only, the Fund's performance may be compared ex-post with that of the composite index made up of 50% of the JP Morgan Government Bond Index Broad and 50% of the MSCI World Developed Markets index (net dividends reinvested) for I, IUSD, R, RUSD and N units.

The MSCI World Developed Markets index is denominated in euros for I, R and N units, denominated in US dollars for IUSD and RUSD units.

The JP Morgan Government Bond Index Broad is denominated in euros for I, R and N units, denominated in US dollars for IUSD and RUSD units.

MSCI World Developed Markets is an equity index representing the main worldwide capitalisations in developed countries. Expressed in euros, the index is not hedged against the foreign exchange risk and is calculated with dividends reinvested. It is published by Morgan Stanley Capital International and is available at [www.msci.com](http://www.msci.com).

JP Morgan Government Bond Index Broad is made up of global government bond securities with a minimum rating of BBB- on Standard & Poor's scale and Baa3 on Moody's (investment grade category). Issues must be fixed-rate only and must have a residual maturity in excess of one year. Expressed in euros or US dollars, the index is not hedged against the foreign exchange risk.

Calculation method: this ex-post comparison reference index is rebalanced on the last working day of the month.

□ **INVESTMENT STRATEGY:**

A) Description of the strategies employed

The investment policy shall consist in implementing strategic and tactical positions and arbitrages on all equity, interest rate and currency markets, through flexible and dynamic management.

It will thereby actively diversify into small- and mid-cap equity markets or emerging countries, corporate and emerging credit markets, and currencies of emerging countries.

The investment policy shall include strategic positions, reflecting the team's fundamental views on four major classes of reference assets (government bonds, non-government bonds, equities and US dollar), whose underlying trends they will strive to track over the investment horizon.

The investment policy will also include some medium-term tactical positions. These will largely be relative value strategies and arbitrage transactions aimed at taking advantage of the differences in valuations between markets, assets, segments/sectors and instruments within each of the four main asset classes.

For each asset class, a specific exposure may be implemented, separately from the other asset classes. The Fund 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 a macroeconomic analysis and analysis of capital flows and on an appraisal of market valuations.

The investment policy will likewise allow the use of optional strategies in order to implement or protect some of the positions above. These strategies could furthermore take advantage of long-term trends and opportunities at shorter maturity offered on volatile markets.

The management will therefore invest on all international interest rate, exchange and equity markets.

The overall modified duration of the Fund is comprised within a range from -6 to +14.

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

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

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

1. Active diversification on all other government bond markets, including non-investment grade;
2. Active diversification on all non-government (corporate) bond markets.

#### **Currency management:**

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

#### **Equity management:**

1. **Active management of global equity risk**, with total exposure up to a maximum of 75% of portfolio net assets,
2. **Allocation, positive or negative, between geographical areas** according to the management team’s expectations of relative performance,
3. **Allocation by sector, positive or negative**, according to the management team’s expectations of relative performance,
4. **Selection of securities** from different sectors, by purchase or sale of equities.

HUSD-R and HUSD-I unit classes are hedged against foreign exchange risk to limit the impact of fluctuations in the EUR/USD exchange rate on the Fund's performance. These units aim to provide the best hedge during the investment term of the Fund against the EUR/USD exchange rate risk that might impact performance.

The HCHF-R and HCHF-I unit classes are hedged against exchange rate risk in order to limit the impact of the fluctuations of the EUR/CHF exchange rate on the Fund's performance. These units aim to provide the best hedge during the investment term of the Fund against EUR/CHF exchange rate risk that might impact performance.

The HSGD-R and HSGD-I unit classes are hedged against exchange risk in order to limit the impact of fluctuations in the EUR/SGD exchange rate on the Fund's performance. These units aim to provide, during the investment term of the Fund, the best hedging possible against EUR/SGD foreign exchange risk that might impact the Fund's performance.

The HSEK-R and HSEK-I unit classes are hedged against exchange risk in order to limit the impact of fluctuations in the EUR/SEK exchange rate on the Fund's performance. These units aim to provide, during the investment term of the Fund, the best hedging possible against EUR/SEK foreign exchange risk that might impact the Fund's performance.

The Fund's performance objective will be sought in due observation of a maximum Value at Risk (VaR) ex ante of 20% over a 20-day period, with a confidence interval of 99%. Management also targets an average annual ex-post volatility of [15%; 25%].

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 rating restrictions;
- up to **60% of the net assets in non-government bonds** issued by companies with their registered offices in an OECD member country. The management team 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 Management Company's criteria (for example, BBB- according to 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.

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 the Standard & Poor's and Fitch Ratings 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 class 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 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. 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 Management Company'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 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, retain ABS and MBS whose initial rating might subsequently be downgraded within a minimum rating limit of A/A2 on Standard & Poor's, Fitch Ratings or Moody's ratings scales.

- up to **30% of the assets in OECD corporate bonds rated speculative grade at purchase, and non-OECD government and corporate bonds with no ratings restrictions**, issued in G4 currencies (USD, EUR, GBP and JPY) or in local currencies.
- up to **10% of the assets in contingent convertible bonds**.

**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/AIF funds) and the agreement of repurchase agreements and deposits.

**Currencies:**

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

**Equities:**

The Fund is exposed up to a total of 75% of net assets to equity or equivalent markets or rights associated with that holding on the equity markets of a number of countries in the following geographic regions: North America, Europe and Asia.

For purposes of diversification, the Fund is able to invest up to 30% of its assets in small- and mid-cap equities and equity from emerging countries.

<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	[-6; +14]
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 (ABSs & MBSs) 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 30% of net assets
Equities from all countries: maximum 75%	Maximum 75% of net assets
of which equities not included in MSCI World Developed Markets index	Maximum 30% of net assets
Exposure to OECD and non-OECD currencies	Maximum 600% of net assets

## **2-2 Special instruments**

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

The Fund may hold units or shares in UCITS, AIFs or investment funds up to a limit of 10% of its assets:

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

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

\* See the Management Company'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 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 upon simple request to 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 in respect of the composition or management of the UCITS investment portfolio or the asset underlying the derivative.

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

The Fund may also invest in securities with embedded derivatives. 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			
	Equities	Interest rate	Exchange rate	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
<b>Warrants on</b>									
Equities	X					X	X	X	
Interest rates									
Exchange rates									
Indices	X					X	X	X	
<b>Subscription warrants</b>									
Equities	X					X	X	X	
Interest rates									
<b>Equity-linked products</b>	X					X	X	X	
<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</b>									
Structured Medium-term negotiable									
Structured EMTN									
Credit linked notes (CLN)									
<b>Other (please specify)</b>									

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

**2-3 Deposits:**

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

**2-4 Liquidities:**

The Fund may hold liquid assets to the extent required in managing these flows.

**2-5 Cash borrowings:**

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

## **2-6 Temporary purchase and sale 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 <i>Code Monétaire et Financier</i> , 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	

The affected assets are described in the "Description of asset classes" section 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 enter into 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 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.

**Discretionary management risk:** The Fund's discretionary management style relies on anticipating the development of the various equity, interest rate and currency markets. Consequently, there is a risk that the Fund will not be invested in the best-performing markets at all times.

**Credit risk:** This is the risk of a variation in credit spreads arising from 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.

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, 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 equities and/or indices associated with the investment and/or with the exposure of the equities portfolio or with indices.

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

**Small and medium capitalisation risk:** investments in small- and mid- cap companies may carry higher risks than investing in large companies due to their more limited resources in terms of management and financing.

Equities of small businesses may be particularly sensitive to unforeseen changes in interest rates, the cost of borrowing or profits. Since securities in small companies are traded less frequently, they may also be susceptible to stronger price fluctuations and lower liquidity. Mid-cap securities may be more volatile than securities from larger issuers.

Furthermore, medium-sized businesses are sometimes less flexible than small companies in tackling competitive challenges.

**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 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.

**Foreign exchange 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-R and HCHF-I units, denominated in CHF, the EUR/CHF foreign exchange risk is hedged at the unit level. Holders are therefore protected from a rise in the CHF/EUR foreign exchange risk.

For HSGD-R and HSGD-I units, denominated in SGD, the EUR/SGD foreign exchange risk is hedged at the unit level. Holders are therefore protected from a rise in the SGD/EUR foreign exchange risk.

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

For HSEK-R and HSEK-I units, denominated in SEK, the euro exchange rate risk is hedged at the unit level. Holders are therefore protected from this SEK/EUR exchange rate risk.

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

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

If the Fund is selling options and implicit volatility rises, the Fund's net asset value will fall.

**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 particularly depends 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:**

R, RUSD, HCHF-R, HSGD-R, HUSD-R, I, IUSD, HCHF-I, HSGD-I and HUSD-I units are aimed at all subscribers. R, RUSD, HCHF-R, HSGD-R, HUSD-R and HSEK-R units are primarily aimed at private individuals. I, IUSD, HCHF-I, HSGD-I, HUSD-I and HSEK-I units are primarily aimed at institutional investors.

N units are particularly for individuals investing through distributors, financial advisors, platforms or other intermediaries (collectively, the "Intermediaries"), under a separate contract or a fee-based contract between the investor and an intermediary.

The fund is aimed for investors with an investment horizon of at least four years who wish to enhance their capital without prejudice to the portfolio's asset allocation or geographical allocation.

Minimum recommended investment period: four years.

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

The amount that it is appropriated to invest in this 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 implies 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**

R (C), RUSD (C), HCHF-R(C), HSGD-R (C), HUSD-R(C), HSEK-R (C), I(C), IUSD(C), HCHF-I(C), HSGD-I (C), HUSD-I(C), HSEK-I (C) and N(C) units are accumulation units.

□ **UNIT FEATURES:**

Unit classes	ISIN code	Base currency	Unit division	Minimum initial subscription	Minimum subsequent subscription
R(C) units	FR0010923383	Euro	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
RUSD(C) units	FR0011978238	USD	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit

HCHF-R (C) units	FR0011061803	CHF	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
HSGD-R (C) units	FR0012517241	SGD	Ten-thousandths	SGD 100	One ten-thousandth of a unit
HUSD-R (C) units	FR0013055225	USD	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
HSEK-R (C) units	FR0013187929	SEK	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
I(C) units	FR0010930446	Euro	Ten-thousandths	EUR 100,000	One ten-thousandth of a unit
IUSD (C) units	FR0011978253	USD	Ten-thousandths	USD 100,000	One ten-thousandth of a unit
HCHF-I (C) units	FR0011978261	CHF	Ten-thousandths	CHF 100,000	One ten-thousandth of a unit
HSGD-I (C) units	FR0012517233	SGD	Ten-thousandths	SGD 100,000	One ten-thousandth of a unit
HUSD-I (C) units	FR0013055233	USD	Ten-thousandths	USD 100,000	One ten-thousandth of a unit
HSEK-I (C) units	FR0013186723	SEK	Ten-thousandths	SEK 100,000	One ten-thousandth of a unit
N (C) units	FR0013186749	Euro	Ten-thousandths	One ten-thousandth of a unit	One 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 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.

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

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:

<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>R, RUSD, HCHF-R, HSGD-R, HUSD-R(C) and HSEK-R units:</u></b> 3% maximum <b><u>I, IUSD, HCHF-I, HSGD-I, HUSD-I and HSEK-I units:</u></b> 1% maximum
Subscription fee retained by the UCITS	net asset value x number of units	None
Subscription fee retained by the management company	net asset value x number of units	5%
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

**Operational and management fees:**

These charges cover:

- Financial Management fees;
- Administrative fees not related to the Management Company (statutory auditor, depository, distribution, lawyers, etc.);
- Maximum indirect charges (commission and management fees) for UCITS that invest over 20% in other UCITS, AIF or investment funds;
- Transaction fees;
- Outperformance fees.

<b>Fees charged to the UCITS:</b>	<b>Basis</b>	<b>Fee schedule</b>
Financial Management fees	Net assets	<b><u>R and RUSD units:</u></b> 1.30% p.a. incl. tax
Management fees not related to the Management Company	Net assets	<b><u>I, IUSD, HCHF-I, HSGD-I, HUSD-I and HSEK-I units:</u></b> 0.85% p.a. incl. tax  <b><u>HCHF-R, HSGD-R, HUSD-R and HSEK-R units</u></b> 1.30% p.a. incl. tax  <b><u>N units:</u></b> 0.95% p.a. incl. tax
Transaction fees	Deducted from each transaction or operation, allocated proportionately between beneficiaries	A maximum rate of 0.02% per month on financial instruments and up to €400 per month for the administration of over-the-counter transactions
Outperformance fee	Positive difference between valued asset and reference asset	<b><u>R, RUSD, HCHF-R, HSGD-R, HUSD-R and HSEK-R units:</u></b> 25%, including tax, of the outperformance relative to the Index shown below, plus 2.5% p.a.  <b><u>I, IUSD, HCHF-I, HSGD-I, HUSD-I and HSEK-I units:</u></b> 25%, including tax, of the outperformance relative to the Index shown below, plus 3% p.a.  <b><u>N units:</u></b> 25%, including tax, of the outperformance relative to the Index shown below, plus 2.90% p.a.

The HCHF-R and HCHF-I units are hedged against the foreign exchange risk for the portion of the assets affected by the EUR/CHF exchange rate. As such, slight differences in outperformance may be spotted when comparing the euro I and R units. These differences are mainly linked to imperfections in hedging against foreign exchange risk and to the difference between the Swiss (CHF 1-month Libor) and the Eurozone (1-month Euribor) interest rates.

The HSGD-R and HSGD-I units are hedged against the foreign exchange risk for the portion of the assets affected by the EUR/SGD exchange rate. As such, slight differences in outperformance will arise when comparing the euro I and R units. These differences are mainly linked to imperfections in the hedging against foreign exchange risk and to the difference between the Singapore interest rate (1-month Sibor) and the Eurozone (1-month Euribor) rate.

HUSD-R and HUSD-I units are hedged against exchange rate risk for the portion of the assets affected by the EUR/USD exchange rate. As such, slight differences in outperformance will arise when comparing the euro I and R units. These differences are mainly linked to imperfections in hedging

against foreign exchange risk and to the difference between the Swiss interest rate (USD 1-month Libor) and the Eurozone (1-month Euribor) rate.

HSEK-R and HSEK-I units are hedged against exchange rate risk for the portion of the assets affected by the EUR/SEK exchange rate. As such, slight differences in outperformance will arise when comparing the euro I and R units. These differences are mainly linked to imperfections in hedging against foreign exchange risk and to the difference between the Swedish interest rate (SEK 1-month Libor) and the Eurozone (1-month Euribor) rate.

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

The Fund's **valued assets** are the portion of the 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 the assets corresponding to a specific unit class, adjusted to take into account the subscription/redemption amounts applicable to this unit class at each valuation and valued in accordance solely with the positive performance of the benchmark of the Fund. *From 30 October 2013 to 7 October 2016, the benchmark for the R, I, HCHF-R, HCHF-I, N, HSGD-I, HSGD-R, IUSD and HUSD-I units is the following composite index: 50% of the MSCI World Developed Markets index plus 50% of the JP Morgan Government Bond Index Broad benchmark. It is denominated in euro.*

From 7 October 2016, the reference rate is equal to:

- the daily compounded EONIA (denominated in euro) plus 3% per year for the I units, plus 2.90% for N units and plus 2.50% for R units. EONIA stands for European Overnight Index Average. It is calculated by the European Central Bank and published by the European Banking Federation online at [www.emmi-benchmarks.eu](http://www.emmi-benchmarks.eu).

- the CHF 1-month Libor (denominated in Swiss francs) plus 3% per year for HCHF-I units and plus 2.50% for HCHF-R units plus the monthly spread between the Swiss interest rate (CHF 1-month Libor) and the Eurozone interest rate (1-month Euribor);

- the 1-month Sibor (denominated in Singapore dollars) plus 3% per year for HSGD-1 units and 2.50% for HSGD-R units plus the monthly spread between the Singapore interest rate (1-month Sibor) and the Eurozone (1-month Euribor) rate;

- the 1-month USD Libor (denominated in US dollars) plus 2.50% per year for RUSD and HUSD-R units and 3% for IUSD and HUSD-I units.

The Fund's performance is calculated according to changes in the net asset value of the corresponding unit class.

In the event of negative performance by the Fund index, a performance basis equal to zero shall be adopted for the valuation of reference assets.

The observation period is defined as follows:

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

- initial observation period: from 1 September 2010 to the last trading day of March 2012;
- subsequent observation periods: from the first trading day in April to the last trading day of March of each year.

For RUSD (C) units:

- initial observation period: from 20 June 2014 to the last trading day of March 2015;
- subsequent observation periods: from the first trading day in April to the last trading day of March of each year.

For HCHF-R (C) units:

- initial observation period: from 23 June 2011 to the last trading day of March 2013;
- subsequent observation periods: from the first trading day in April to the last trading day of March of each year.

For HSGD-R (C) units:

- Initial observation period: from 30 April 2015 to the last trading day of March 2017;
- Subsequent observation periods: from the first trading day in April to the last trading day of March of each year.

For IUSD (C) units:

- initial observation period: from 20 June 2014 to the last trading day of March 2015;
- subsequent observation periods: from the first trading day in April to the last trading day of March of each year.

For HCHF-I (C) units:

- initial observation period: from 20 June 2014 to the last trading day of March 2015;
- subsequent observation periods: from the first trading day of April to the last trading day of March of each year.

For HSGD-I (C) units:

- initial observation period: from 30 April 2015 to the last trading day of March 2017;
- subsequent observation periods: from the first trading day of April to the last trading day of March of each year.

For HUSD-R and HUSD-I units:

- initial observation period: from 7 December 2015 to the last trading day of March 2017;
- subsequent observation periods: from the first trading day of April to the last trading day of March of each year.

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

- initial observation period: from 7 October 2016 to the last trading day of March 2018;
- subsequent observation periods: from the first trading day of April to the last trading day of March of each year.

At the beginning of each observation period, the reference asset used will be the higher of the asset value recorded

- on 31 August 2010 for R and I units,
- on 22 June 2011 for HCHF-R units,
- on 20 June 2014 for RUSD, IUSD and HCHF-I units,
- on 30 April 2015 for HSGD-R and HSGD-I units,
- on 7 December 2015 for HUSD-R and HUSD-I units,
- on 7 October 2016 for HSEK-R, HSEK-I and N units

and all the valued assets recorded on the final day of each of the observation periods since the creation 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 assets.

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 will be permanently retained by 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)

The 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 the marketing agents' branches and from the website at "[www.h2o-am.com](http://www.h2o-am.com)".

**COMMERCIAL DOCUMENTATION**

Commercial documentation is available to the Fund's unitholders and subscribers online from the Management Company's website at [www.h2o-am.com](http://www.h2o-am.com) or on the marketing agent's website at [www.im.natixis.com](http://www.im.natixis.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 environmental, social and quality governance (ESG) objectives can be found in the annual reports for the relevant UCITS and on the Management Company's website.

## **IV INVESTMENT RULES**

The UCITS complies with the investment rules as stipulated by the *Code Monétaire et Financier*, the French Monetary and Financial Code.

## **V OVERALL RISK**

**Commitment calculation method:** the calculation method is that of absolute Value at Risk.

The indicative average level of leverage for the UCITS is 20. 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 on closure 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:

#### **Shares**

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.

#### **Investment 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 day of valuation.

### **UCITS, AIFs or investment funds**

UCITS/AIFs or investment fund units or shares 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 could be valued via the straight-line method.

### **Temporary purchases and disposals 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 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 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 carry-forward/discount.

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

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

Off-balance sheet commitments are valued as follows:

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

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

commitment = Reference price (the prices at 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 for which the price 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 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**

More information on the remuneration policy can be found online at [www.h2o-am.com](http://www.h2o-am.com).

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