

# Schroder GAIA II Prospectus

(a Luxembourg domiciled open-ended investment company)

July 2017

## Luxembourg



# Schroders



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(a Luxembourg domiciled open-ended investment company)

# Prospectus

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# Important Information

Copies of this Prospectus can be obtained from and enquiries regarding the Company should be addressed to:

**Schroder Investment Management (Luxembourg) S.A.**

5, rue Höhenhof  
1736 Senningerberg  
Grand Duchy of Luxembourg  
Tel: (+352) 341 342 202  
Fax: (+352) 341 342 342

This prospectus (the "Prospectus") should be read in its entirety before making any application for Shares. If you are in any doubt about the contents of this Prospectus you should consult your financial or other professional adviser.

Shares are offered on the basis of the information contained in this Prospectus and the documents referred to herein.

No person has been authorised to issue any advertisement or to give any information, or to make any representations in connection with the offering, placing, subscription, sale, switching or redemption of Shares other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company or the Management Company. Neither the delivery of this Prospectus nor the offer, placement, subscription or issue of any of the Shares shall under any circumstances create any implication or constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date hereof.

The Directors, whose names appear below, have taken all reasonable care to ensure that the information contained in this Prospectus is, to the best of their knowledge and belief, in accordance with the facts and does not omit anything material to such information. The Directors accept responsibility accordingly.

The distribution of this Prospectus and supplementary documentation and the offering of Shares may be restricted in certain countries. Investors wishing to apply for Shares should inform themselves as to the requirements within their own country for transactions in Shares, any applicable exchange control regulations and the tax consequences of any transaction in Shares.

This Prospectus does not constitute an offer or solicitation by anyone in any country in which such offer or solicitation is not lawful or authorised, or to any person to whom it is unlawful to make such offer or solicitation.

When marketing Shares in any territory of the European Economic Area (EEA) (other than Luxembourg) to professional investors that are domiciled or have a registered office in the EEA, the Management Company intends to utilise marketing passports made available under the provisions of the AIFMD.

Investors should note that not all of the protections provided under their relevant regulatory regime may apply and there may be no right to compensation under such regulatory regime, if such scheme exists.

Holding and storing personal data in relation to the Investors is necessary to enable the Management Company to fulfil the services required by the Investors and to comply with its legal and regulatory obligations.

By subscribing to Shares of the Company, the Investors expressly agree that their personal data be stored, changed, otherwise used or disclosed (i) to Schroders and other parties performing services in connection with the Shares which are involved in the process (e.g. external processing centres, dispatch or payment agents) or (ii) when required by law or regulation.

The personal data shall not be used or disclosed to any person other than as outlined in the preceding paragraph without the Investors' consent unless it is required by applicable law or regulation or by a regulatory or governmental body to which the Company or the Management Company is subject.

Reasonable measures have been taken to ensure confidentiality of the personal data transmitted within Schroders. However, due to the fact that the information is transferred electronically and made available outside of Luxembourg, the same level of confidentiality and the same level of protection in relation to data protection regulation as currently in force in Luxembourg may not be achieved while the information is kept abroad.

Schroders will accept no liability with respect to any unauthorised third party receiving knowledge of or having access to such personal data, except in the case of negligence by Schroders.

The Investors have a right of access and of rectification of the personal data in cases where such data is incorrect or incomplete.

Personal data shall not be held for longer than necessary with regard to the purpose of the data processing.

The distribution of this Prospectus in certain countries may require that this Prospectus be translated into the languages specified by the regulatory authorities of those countries.

Should any inconsistency arise between the translated and the English version of this Prospectus, the English version shall always prevail.

The Management Company may use telephone recording procedures to record any conversation. Investors are deemed to consent to the recording of conversations with the Management Company and to the use of such recordings by the Management Company and/or the Company in legal proceedings or otherwise at their discretion.

**The price of Shares in the Company and the income from them may go down as well as up and an Investor may not get back the amount invested.**

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# Definitions

<b>2010 Law</b>	the Luxembourg law on undertakings for collective investment dated 17 December 2010, as amended
<b>2013 Law</b>	the Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended
<b>Accumulation Shares or ACC Shares</b>	shares whose price includes income accumulated within a Fund
<b>Administration Agent</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>AIFMD</b>	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers, as amended
<b>AIFM Regulation</b>	the European Commission Delegated Regulation 231/2013 of 19 December 2012, as amended
<b>AIFM Rules</b>	the AIFMD, the AIFM Regulation, the 2013 Law as well as any European or Luxembourg regulatory guidelines as may be issued in relation thereof, as amended
<b>Articles</b>	the Articles of Association of the Company as amended from time to time
<b>Benchmark</b>	such benchmark (if any) identified in the Performance Fee section of the table entitled "Fund Characteristics" for the relevant Fund set out in Appendix IV
<b>Business Day</b>	a week day other than New Year's Day, Good Friday, Easter Monday, Christmas Eve, Christmas Day and the day following Christmas Day, unless otherwise provided in the Fund's details in Appendix IV.
<b>Calculation Day</b>	a Business Day on which the Net Asset Value per Share is calculated for a Share Class and/or a Fund, as defined for each Fund in Appendix IV. The Management Company may also take into account whether relevant local stock exchanges and/or Regulated Markets are open for trading and settlement, and may elect to treat such closures as non-Calculation Days for Funds which invest a substantial amount of their portfolio on these closed stock exchanges and/or Regulated Markets
<b>Company</b>	Schroder GAIA II
<b>CSSF</b>	Commission de Surveillance du Secteur Financier (Luxembourg Financial Sector Supervisory Authority)
<b>Dealing Cut-off Time</b>	the time by which dealing instructions must be received by the Management Company in order to be executed on a Dealing Day as defined for each Fund in Appendix IV
<b>Dealing Day</b>	a Business Day on which dealing instructions received for a Fund are executed, as defined for each Fund in Appendix IV. A Business Day on which dealing instructions for a Fund are executed, shall not fall within a period of suspension of calculation of the Net Asset Value per Share of the relevant Share Class or of the Net Asset Value of the relevant Fund. The Management Company may also take into account whether relevant local stock exchanges and/or Regulated Markets on which any substantial portion of the Company's investments of the relevant Fund are quoted are closed for trading and settlement, and whether underlying Investment Funds representing a material part of the assets the relevant Fund invests in are closed for dealing and/or the determination of the Net Asset Value per Share is suspended. The Management Company may elect to treat such closures as non-Dealing Days for Funds which invest a substantial amount of their portfolio on these closed stock exchanges and/or Regulated Markets and/or these closed underlying Investment Funds. A list of expected non-Dealing Days for the Funds is available from the Management Company on request and is also available on the Internet site <a href="http://www.schroders.lu">www.schroders.lu</a>
<b>Depository</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>Directors or Board of Directors</b>	the board of directors of the Company
<b>Distributor</b>	a person or entity duly appointed from time to time by the Management Company to distribute or arrange for the distribution of Shares



<b>Distribution Shares</b>	shares which distribute their income
<b>EEA</b>	European Economic Area
<b>Eligible State</b>	includes any member state of the European Union ("EU"), any member state of the Organisation for Economic Co-operation and Development ("OECD"), and any other state which the Directors deem appropriate
<b>EU</b>	European Union
<b>EUR</b>	the European currency unit (also referred to as the Euro)
<b>Financial Year</b>	a period of 12 months ending on 30 September
<b>Fund</b>	a specific portfolio of assets and liabilities within the Company, being a sub-fund of the Company and having its own Net Asset Value and represented by a separate Share Class or Share Classes
<b>GAIA II</b>	Global Alternative Investor Access II
<b>GBP</b>	Great British Pound
<b>High Water Mark</b>	has the meaning given to it in section 3.2(A)(1)
<b>Hurdle</b>	such hurdle (if any) identified in the Performance Fee section of the table entitled "Fund Characteristics" for the relevant Fund set out in Appendix IV
<b>Investment Adviser</b>	Schroder Investment Management Limited
<b>Investment Fund(s)</b>	a UCITS or other UCI in which the Funds may invest, as determined in the investment rules described in Appendix I and Appendix II
<b>Investment Manager</b>	any investment manager appointed by the Management Company, to manage each Fund under its supervision
<b>Investor</b>	a subscriber for Shares
<b>Management Company</b>	Schroder Investment Management (Luxembourg) S.A.
<b>Net Asset Value</b>	the assets less the liabilities of the relevant Fund or Share Class as reflected in the most recent calculations which shall be carried out in a manner consistent with the basis for calculating the Net Asset Value in the latest annual or semi-annual financial report of the relevant Fund
<b>Net Asset Value per Share</b>	the Net Asset Value of the relevant Share Class divided by the number of Shares of the relevant Share Class then in issue
<b>OTC</b>	over-the-counter
<b>Performance Period</b>	has the meaning given to it in section 3.2(A)
<b>Regulated Market</b>	a market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments or another regulated market which operates regularly and is recognised and open to the public in an Eligible State
<b>Regulations</b>	the 2010 Law and the 2013 Law as well as any present or future related Luxembourg laws or implementing regulations, circulars and CSSF's positions
<b>Reporting Fund</b>	a Fund or a Share Class that complies with UK HMRC's tax regime for offshore funds and therefore has a certain tax status relevant for UK tax paying Shareholders
<b>Schroders</b>	Schroders plc., the Management Company's and Investment Adviser's ultimate holding company, and its subsidiaries and affiliates worldwide
<b>Share</b>	a share of no par value in any one Share Class in the capital of the Company

<b>Share Class</b>	a class of Shares with specific characteristics such as a specific fee structure
<b>Shareholder</b>	a holder of Shares
<b>UCI</b>	an "undertaking for collective investment" as defined in the 2010 Law
<b>UCITS</b>	an "undertaking for collective investment in transferable securities" within the meaning of points a) and b) of Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended, on the coordination of laws, regulations and administrative provisions relating to UCITS
<b>UK</b>	United Kingdom
<b>USA or US</b>	the United States of America (including the District of Columbia), its territories, its possessions and any other areas subject to its jurisdiction
<b>USD</b>	United States Dollar

**All references herein to time are to Luxembourg time unless otherwise indicated.**

**Words importing the singular shall, where the context permits, include the plural and vice versa.**

# Directors

## Chairman

- **Eric BERTRAND**  
Director  
Shackleton Residence  
Ta'Xbiex Seafront  
XBX 1027 Ta'Xbiex  
Malta

## Other Directors

- **Mike CHAMPION**  
Head of Product Development  
Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
United Kingdom
- **Marie-Jeanne CHEVREMONT-LORENZINI**  
Independent Director  
19, rue de Bitbourg  
1273 Luxembourg  
Grand Duchy of Luxembourg
- **Daniel DE FERNANDO GARCIA**  
Independent Director  
Serrano 1  
28001 Madrid  
Spain
- **Bernard HERMAN**  
Independent Director  
11-13, rue Jean Fischbach  
3372 Leudelange  
Grand Duchy of Luxembourg
- **Achim KUESSNER**  
Country Head Germany, Austria & CEE  
Schroder Investment Management GmbH  
Taunustor 1  
60310 Frankfurt  
Germany

# Administration

**Registered Office**

5, rue Höhenhof  
1736 Senningerberg  
Grand Duchy of Luxembourg

**Management Company**

Schroder Investment Management (Luxembourg) S.A.  
5, rue Höhenhof  
1736 Senningerberg  
Grand Duchy of Luxembourg

**Investment Adviser**

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
United Kingdom

**Investment Managers**

New Generation Advisors LLC  
13 Elm Street, Suite 2,  
Manchester MA 01944  
United States

(Please refer to Appendix IV on the Fund)

**Depository and Administration Agent**

Brown Brothers Harriman (Luxembourg) S.C.A.  
80, route d'Esch  
1470 Luxembourg  
Grand Duchy of Luxembourg

**Independent Auditors**

PricewaterhouseCoopers, Société cooperative  
2, rue Gerhard Mercator  
2182 Luxembourg  
Grand Duchy of Luxembourg

**Principal Legal Adviser**

Arendt & Medernach S.A.  
41A, Avenue J.F. Kennedy  
2082 Luxembourg  
Grand Duchy of Luxembourg

**Principal Paying Agent**

Schroder Investment Management (Luxembourg) S.A.  
5, rue Höhenhof  
1736 Senningerberg  
Grand Duchy of Luxembourg

# Section 1

## 1. The Company

### 1.1. Structure

The Company is an open-ended investment company organised as a "société anonyme" under the laws of the Grand Duchy of Luxembourg and qualifies as a Société d'Investissement à Capital Variable ("SICAV") and as an alternative investment fund within the meaning of article 1(39) of the 2013 Law. The Company operates separate Funds, each of which is represented by one or more Share Classes. The Funds are distinguished by their specific investment policy or any other specific features.

The Company constitutes a single legal entity, but the assets of each Fund shall be invested for the exclusive benefit of the Shareholders of the corresponding Fund and the assets of a specific Fund are solely accountable for the liabilities, commitments and obligations of that Fund.

The Directors may at any time resolve to set up new Funds and/or create within each Fund one or more Share Classes and this Prospectus will be updated accordingly. The Directors may also at any time resolve to close a Fund, or one or more Share Classes within a Fund to further subscriptions.

Certain Shares may be listed on the Luxembourg Stock Exchange as well as any other recognised stock exchange. A list of all Funds and Share Classes may be obtained free of charge from the registered office of the Company.

### 1.2. Investment Objectives and Policies

The exclusive objective of the Company is to place the funds available to it in transferable securities of any kind and other permitted assets, including derivatives, with the purpose of spreading investment risks and affording its Shareholders the results of the management of its portfolios. The investment strategy of each Fund is based on an alternative investment strategy which has been designed by each of the Investment Managers.

The specific investment objective and policy of each Fund is described in Appendix IV.

The investments of each Fund shall at any time comply with the restrictions set out in Appendix I, Appendix IV and, if relevant, Appendix II. Investors should, prior to any investment being made, take due account of the risks of investment set out in Appendix III and any specific risk set out in Appendix IV.

The Directors may at any time resolve to change the characteristics of any existing Fund, including its investment objective and policy without the consent of Investors. Any amendment of this Prospectus will require approval by the CSSF prior to taking effect. In accordance with applicable laws and regulations, Investors in the Fund will be informed about the changes and, where required, will be given prior notice of any proposed material changes in order for them to request the redemption of their Shares should they disagree. This Prospectus will be updated accordingly.

### 1.3. Share Classes

The Directors may decide to create within each Fund different Share Classes whose assets will be commonly invested pursuant to the specific investment policy of the relevant Fund, but where a specific fee structure, currency of denomination or other specific feature may apply to each Share Class. A separate Net Asset Value per Share, which may differ as a consequence of these variable factors, will be calculated for each Share Class. Shares are generally issued as Accumulation Shares. Distribution Shares will only be issued within any Fund at the Directors' discretion. Investors may enquire at the Management Company or their Distributor whether any Distribution Shares are available within each Share Class.

Investors are informed that not all Distributors offer Shares of all Share Classes.

The particular features of each Share Class are provided below and in Appendix IV.

### Sales Charge

The Management Company and Distributors are entitled to the initial charge, which can be partly or fully waived at the Directors' discretion from time to time. The initial charge attributable to each Share Class is specified in the Fund Details in Appendix IV.

### **Minimum Subscription Amount, Minimum Additional Subscription Amount and Minimum Holding Amount**

The Minimum Subscription Amount, Minimum Additional Subscription Amount and Minimum Holding Amount for each Share Class are set out in Appendix IV. The amounts are stated in the relevant currency although near equivalent amounts in any other freely convertible currency are acceptable. These minima may be waived at the Directors' discretion from time to time.

### **Specific features of I Shares**

I Shares will only be offered to Investors:

- (A) who, at the time the relevant subscription order is received, are clients of Schroders with an agreement covering the charging structure relevant to the clients' investments in such Shares, and
- (B) who are institutional Investors, as may be defined from time to time by the guidelines or recommendations issued by the CSSF.

The Company will not issue, or effect any switching of, I Shares to any Investor who is not considered an institutional Investor. The Directors may, at their discretion, delay the acceptance of any subscription for I Shares restricted to institutional Investors until such date as the Management Company has received sufficient evidence on the qualification of the relevant Investor as an institutional Investor. If it appears at any time that a holder of I Shares is not an institutional Investor, the Directors will instruct the Management Company to propose that the said holder convert their Shares into Shares of a class within the relevant Fund which is not restricted to institutional Investors (provided that there exists such a Share Class with similar characteristics). In the event that the Shareholder refuses such switching, the Directors will, at their discretion, instruct the Management Company to redeem the relevant Shares in accordance with the provisions under section 2.2 "Redemption and Switching of Shares".

As I Shares are, inter alia, designed to accommodate an alternative charging structure whereby the Investor is a client of Schroders and is charged management fees directly by Schroders, no management fees will be payable in respect of I Shares out of the net assets of the relevant Fund. I Shares will bear their pro-rata share of the fees payable to the Depositary and the Management Company, as well as of other charges and expenses.

### **Specific Features of E Shares**

E Shares will only be available at the discretion of the Management Company and can be denominated in any currency. E Shares will only be available until the total Net Asset Value of all available E Share Classes within a Fund reaches or is greater than USD 50,000,000 or an equivalent amount in another currency; or any other amount as specifically determined by the Management Company for any Fund.

Once the total Net Asset Value of the Share Classes available in a Fund, as of any Calculation Day, reaches or is greater than USD 50,000,000 or an equivalent amount in another currency, or as specifically determined for a Fund by the Management Company, the E Share Class in that Fund will be closed to Investors for subscription. The Management Company may re-open the E Share Classes at its discretion without notice to Shareholders.

### **Specific Features of S Shares**

S Shares will only be available at the discretion of the Management Company, to staff and other connected parties of the Investment Manager, and staff of the Management Company and its affiliates.

# Section 2

## 2. Share Dealing

### 2.1. Subscription for Shares

#### How to subscribe

Investors subscribing for Shares for the first time should complete an application form and send it with applicable identification documents by post to the Management Company. Application forms may be accepted by facsimile transmission or other means approved by the Management Company, provided that the original is immediately forwarded by post. If completed application forms and cleared funds are received by the Management Company for any Dealing Day before the Dealing Cut-off Time as specified in Appendix IV, the subscription instruction will be executed on the Dealing Day and Shares will normally be issued at the relevant Net Asset Value per Share, as defined under "Calculation of Net Asset Value", determined on the relevant Calculation Day (plus any applicable initial charge). For completed applications received after the Dealing Cut-off Time, the instruction will normally be executed on the next relevant Dealing Day and Shares will be issued at the Net Asset Value per Share calculated on the associated Calculation Day (plus any applicable initial charge).

**Each Investor will be given a personal account number which, along with any relevant transaction number, should be quoted on any payment by bank transfer. Any relevant transaction number and the personal account number should be used in all correspondence with the Management Company or any Distributor.**

**Different subscription procedures may apply if applications for Shares are made through Distributors.**

**All applications to subscribe for Shares shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Dealing Day.**

However, the Directors may permit, if they deem it appropriate, different Dealing Cut-off Times to be determined in justified circumstances, such as distribution to Investors in jurisdictions with a different time zone. Such different Dealing Cut-off Times may either be specifically agreed upon with Distributors or may be published in any supplement to the Prospectus or other marketing document used in the jurisdiction concerned. In such circumstances, the applicable Dealing Cut-off Time applied to Shareholders must always precede the Dealing Cut-off Time referred to in Appendix IV.

Subsequent subscriptions for Shares do not require completion of an additional application form. However, Investors shall provide written instructions as agreed with the Management Company to ensure smooth processing of subsequent subscriptions. Instructions may also be made by letter, facsimile transmission, in each case duly signed, or such other means approved by the Management Company.

Confirmations of transactions will normally be dispatched on the Business Day following the Calculation Day. Shareholders should promptly check these confirmations to ensure that they are correct in every detail. Investors are advised to refer to the terms and conditions on the application form to inform themselves fully of the terms and conditions to which they are subscribing.

Please refer to Appendix IV for more details on the Dealing Cut-off Time and dealing frequency for each Fund.

#### How to pay

Payment should be made by electronic bank transfer net of all bank charges (i.e. at the Investor's expense). Further settlement details are available on the application form.

Shares are normally issued once settlement in cleared funds is received. In the case of applications from approved financial intermediaries or other Investors authorised by the Management Company, the issue of Shares is conditional upon the receipt of settlement within a previously agreed period not exceeding the settlement period as stated in Appendix IV. Any non-Dealing Days or non-Calculation Days for a Fund falling within the settlement period are excluded from the calculation of the settlement date. If, on the settlement date, banks are not open for business in the country of the currency of settlement, then settlement will be on the next Business Day on which those banks are open. Payment should arrive in the appropriate bank account, as specified in the settlement instructions, at the latest by 17:00 on the settlement date. Payments received after this time may be considered to have settled on the next Business Day on which the bank is open. If timely settlement is not made, an application may lapse and be cancelled at the cost of the applicant or his/her financial intermediary. Failure to make good settlement by the settlement date may result in the Company bringing an action against the defaulting Investor or his/her financial intermediary or deducting any costs or losses incurred by the Company or Management Company against any existing holding of the applicant in the Company. In all cases, any confirmation of transaction and any money returnable to the Investor will be held by the Management Company without payment of interest pending receipt of the remittance.

**Different settlement procedures may apply if applications for Shares are made through Distributors.**

Payments in cash will not be accepted. Third party payments will only be accepted at the Company's discretion.

Payment should normally be made in the currency of the relevant Share Class. However, at the request of the Investor, a currency exchange service for subscriptions is provided by the Management Company acting on behalf of the Company.

### **Currency Exchange Service**

Payments to and from the Shareholder should normally be made in the currency of the relevant Share Class. However, if the Shareholder selects a currency other than the currency of the relevant Share Class for any payments to or from the Management Company, this will be deemed to be a request by the Shareholder to the Management Company acting on behalf of the Company to provide a foreign exchange service to the Shareholder in respect of such payment. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Management Company acting on behalf of the Company. The cost of the currency conversion and other related expenses will be borne by the relevant Investor.

### **Price Information**

The Net Asset Value per Share of one or more Share Classes is published in such newspapers or other electronic services as determined from time to time by the Directors. It may be made available on the Schroder Investment Management (Luxembourg) S.A. Internet site [www.schroders.lu](http://www.schroders.lu), and is available from the registered office of the Company. Neither the Company nor the Distributors accept responsibility for any error in publication or for non-publication of the Net Asset Value per Share.

Please refer to Appendix IV for details on when prices will be made available for each Fund.

### **Types of Shares**

Shares are issued only in registered form. Registered Shares are in non-certificated form. Fractional entitlements to registered Shares will be rounded to two decimal places. Shares may also be held and transferred through accounts maintained with clearing systems.

### **General**

Instructions to subscribe, once given, are irrevocable, except in the case of a suspension or deferral of dealing. The Management Company and/or the Company in their absolute discretion reserve the right to reject any application in whole or in part. If an application is rejected, any subscription money received will be refunded at the cost and risk of the applicant without interest. Prospective applicants should inform themselves as to the relevant legal, tax and exchange control regulations in force in the countries of their respective citizenship, residence or domicile.

The Management Company may have agreements with certain Distributors pursuant to which they agree to act as or appoint nominees for Investors subscribing for Shares through their facilities. In such capacity, the Distributor may effect subscriptions, switches and redemptions of Shares in nominee name on behalf of individual Investors and request the registration of such dealing arrangements on the register of Shareholders of the Company in nominee name. The Distributor or nominee maintains its own records and provides the Investor with individualised information as to its holdings of Shares. Except where local law or custom proscribes the practice, Investors may invest directly in the Company and not avail themselves of a nominee service. Unless otherwise provided by local law, any Shareholder holding Shares in a nominee account with a Distributor has the right to claim, at any time, direct title to such Shares.

The Management Company draws however the Investors' attention to the fact that any Investor will only be able to fully exercise his Shareholder rights directly against the Company, if the Investor is registered himself and his own name is recorded in the Shareholders' register. In cases where an Investor invests in the Company through a Distributor or a nominee investing into the Company in his own name but on behalf of the Investor, it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company. Investors are advised to take advice as to their rights.



**Subscriptions in Kind**

The Board of Directors may from time to time accept subscriptions for Shares against contribution in kind of securities or other assets which could be acquired by the relevant Fund pursuant to its investment policy and restrictions. Any such subscriptions in kind will be made at the Net Asset Value of the assets contributed calculated in accordance with the rules set out in section 2.4 hereafter and will be the subject of an independent auditor's report drawn up in accordance with the requirements of Luxembourg law and will be at the subscriber's expense. Should the Company not receive good title on the assets contributed this may result in the Company bringing an action against the defaulting Investor or his/her financial intermediary or deducting any costs or losses incurred by the Company or Management Company against any existing holding of the applicant in the Company.

**Anti Money Laundering Procedures**

Pursuant to international norms, Luxembourg laws and regulations (comprising but not limited to the law of 12 November 2004 relating to the fight against money laundering and terrorism financing, as amended), obligations have been imposed on the Company to prevent money laundering and terrorism financing.

As a result of such provisions, the Company requires the Management Company to verify the identity of the Company's customers and perform on-going due diligence on them in accordance with Luxembourg laws and regulations. To fulfil this requirement, the Management Company may request any information and supporting documentation it deems necessary, including information about beneficial ownership, source of funds and origin of wealth. In any case, the Management Company may require, at any time, additional documentation to comply with applicable legal and regulatory requirements.

In case of delay or failure by a customer to provide the documents required, an application for subscription or, if applicable, for redemption or any other transaction may not be accepted. Neither the Company nor the Management Company have any liability for delays or failure to process deals as a result of the customer providing no or only incomplete information and/or documentation.

**Genuine Diversity of Ownership Condition**

Interests in the Company's Funds are widely available, and the Management Company undertakes that they will be marketed and made available sufficiently widely and in a manner appropriate to reach the intended categories of Investor who meet the broad requirements for investment in any given Share Class, and are not intended to be limited to particular Investors or narrowly-defined groups of Investor. Please refer to Section 1.3 "Share Classes" for details of the minimum levels of investment and/or Investor categories that are specified as eligible to acquire particular Share Classes.

Provided that a person meets the broad requirements for investment in any given Share Class, he/she may obtain information on and acquire the relevant Shares in the Company, subject to the paragraphs immediately following.

**Investment Restrictions applying to US Investors**

The Company has not been and will not be registered under the United States Investment Company Act of 1940 as amended (the "Investment Company Act"). The Shares of the Company have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") or under the securities laws of any state of the US and such Shares may be offered, sold or otherwise transferred only in compliance with the Securities Act and such state or other securities laws. The Shares of the Company may not be offered or sold to or for the account of any US Person. For these purposes, US Person shall mean any person defined as a US person under Regulation S of the Securities Act.

If you are in any doubt as to your status, you should consult your financial or other professional adviser.

**Investment Restrictions applying to Canadian Investors**

The Shares of the Company will not be publicly offered in Canada. Any offering of Shares of the Company in Canada will be made only by way of private placement: (i) pursuant to a Canadian offering memorandum containing certain prescribed disclosure, (ii) on a basis which is exempt from the requirement that the Company prepare and file a prospectus

with the relevant Canadian securities regulatory authorities and pursuant to applicable requirements in the relevant Canadian jurisdictions, and (iii) to persons or entities that are "accredited investors" (as such term is defined in National Instrument 45-106 Prospectus and Registration Exemptions) and, if required, "permitted clients" (as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations).

The Management Company is not registered in any capacity in any jurisdiction in Canada and may rely on one or more exemptions from various registration requirements in certain Canadian jurisdictions. In addition to being an "accredited investor", a Canadian-resident Investor may also be required to be a "permitted client". If a Canadian-resident Investor, or an Investor that has become a Canadian-resident after purchasing Shares of the Company, is required to be a "permitted client" and does not qualify, or no longer qualifies, as a "permitted client", the Investor will not be able to purchase any additional Shares of the Company and may be required to redeem its outstanding Shares.

If you are in any doubt as to your status, you should consult your financial or other professional adviser.

### **Investment Restrictions applying to Luxembourg Investors**

The Company will not be distributed to retail investors in the Grand Duchy of Luxembourg.

## **2.2. Redemption and Switching of Shares**

### **Redemption Procedure**

Redemption instructions accepted by the Management Company for any Dealing Day before the Dealing Cut-off Time as specified in Appendix IV, or such other time at the Directors' discretion, will normally be executed on the Dealing Day at the relevant Net Asset Value per Share, as defined under "Calculation of Net Asset Value", calculated on the associated Calculation Day. Instructions accepted by the Management Company after the Dealing Cut-off Time will normally be executed on the next relevant Dealing Day at the Net Asset Value per Share calculated on the associated Calculation Day.

Redemption instructions can only be executed when any previously related transaction has been completed. In cases where dealing is suspended in a Fund from which a redemption has been requested, the processing of the redemption will be held over until the next Dealing Day where dealing is no longer suspended.

Instructions to redeem Shares may be given to the Management Company by completing the form requesting redemption of Shares or by letter, facsimile transmission or other means approved by the Management Company where the account reference and full details of the redemption must be provided. All instructions must be signed by the registered Shareholders, except where sole signatory authority has been chosen in the case of a joint account holding or where a representative has been appointed following receipt of a completed power of attorney. The power of attorney's form acceptable to the Management Company is available on request.

### **Redemption Proceeds**

**Different settlement procedures may apply if instructions to redeem Shares are communicated via Distributors.**

Redemption proceeds are normally paid by the Company by bank transfer or electronic transfer, and will be instructed to be made at no cost to the Shareholder, provided the Company is in receipt of all documents required. The settlement period of the redemption proceeds for each Fund is specified in Appendix IV. Redemption proceeds will normally be paid in the currency of the relevant Share Class. However, at the request of the Shareholder, a currency exchange service for redemptions is provided to the Shareholder by the Management Company acting on behalf of the Company. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Management Company acting on behalf of the Company. The cost of currency conversion and other related expenses will be borne by the relevant Investor. Any non-Dealing Days or non-Calculation Days for a Fund falling within the settlement period are excluded from the calculation of the settlement date. If, on the settlement date, banks are not open for business in the country of the settlement currency of the relevant Share Class, then settlement will be on the next Business Day on which those banks are open. The Company or Management Company are not responsible for any delays or charges incurred at any receiving bank or

settlement system, nor are they responsible for delays in settlement which may occur due to the timeline for local processing of payments within some countries or by certain banks.

### **Redemptions in Kind**

The Directors may from time to time permit redemptions in kind. Any such redemption in kind will be valued in accordance with the requirements of Luxembourg law. In case of a redemption in kind, Shareholders will have to bear costs incurred by the redemption in kind (mainly costs resulting from drawing-up of the independent auditor's report) unless the Company considers that the redemption in kind is in its own interest or made to protect its own interests. Requests for redemptions in kind may only be accepted if the total Net Asset Value of the Shares to be redeemed in a Fund is at least EUR 10,000,000 or an equivalent amount in another currency, unless otherwise determined from time to time by the Directors.

### **Switching Procedure**

A switch transaction is one where an existing Shareholder decides to convert its shares in a particular Share Class (the "Original Class") into another Share Class (the "New Class") either within the same Fund or a different Fund within the Company.

Acceptance by the Management Company of switching instructions will be subject to the availability of the New Class and to the compliance with any eligibility requirements and/or other specific conditions attached to the New Class (such as minimum subscription and holding amounts). A switch transaction is processed as a redemption from the Original Class followed by a subscription into the New Class.

If the Original and New Classes involved in a switch transaction have the same Dealing Cut-off Time and Dealing Days and Calculation Days, switching instructions accepted by the Management Company before the Dealing Cut-off Time as specified in Appendix IV, or such other time at the Directors' discretion, will normally be executed on the Dealing Day associated with the receipt of the instruction and will normally be executed based on the relevant Net Asset Value per Share of both Share Classes calculated for that Dealing Day (less any applicable switching charge).

However, the following rules will apply if the settlement period in the New Class is shorter than that of the Original Class and/or if the Original and New Classes are subject to different Dealing Days and/or Dealing Cut-off Times, or if the Net Asset Value per Share is available on different days or times or if the Original and New Classes are subject to different fund holidays or different currency holidays during the settlement cycle:

- (A) the redemption will be dealt with on the Dealing Day relating to the receipt of the switching instruction with the Net Asset Value per Share of the Original Class calculated for that Dealing Day, and
- (B) the subscription will be executed at the next earliest Dealing Day applicable for the New Class with the Net Asset Value per Share of the New Class calculated for that Dealing Day, and
- (C) the subscription may be further deferred to a later Dealing Day so that the settlement date for the subscription will always match or follow the settlement date for the redemption (if possible both settlement periods will be matched), and
- (D) where the redemption is settled before the subscription, the redemption proceeds will remain on the Company's collection account and interest accrued will be for the benefit of the Company.

In cases where dealing is suspended in a Fund from or to which a switch has been requested, the processing of the switch will be held over until the next Dealing Day when dealing is no longer suspended. The switching procedures described above will continue to apply.

Instructions to switch Shares may be given to the Management Company by completing the switch form or by letter, facsimile transmission or other means approved by the Management Company where the account reference and the number of Shares to be switched between named Share Classes must be provided. All instructions must be signed by the registered Shareholders, except where sole signatory authority has been

chosen in the case of a joint account holding or where a representative has been appointed following receipt of a completed power of attorney. The power of attorney form acceptable to the Management Company is available on request.

Instructions to switch Shares between Share Classes denominated in different currencies will be accepted. A currency exchange service for such switches is provided by the Management Company acting on behalf of the Company. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Management Company acting on behalf of the Company. The cost of currency conversion and other related expenses will be borne by the relevant Investor.

The Directors may, at their discretion, allow certain selected Distributors to make a charge for switching which shall not exceed 1% of the value of the Share being requested to be switched.

The same principles may apply if Investors instruct switches between investment funds belonging to different legal structures within Schroders' fund ranges.

Shareholders should seek advice from their local tax advisers to be informed on the local tax consequences of such transactions.

### **General**

**Different redemption and switching procedures may apply if instructions to switch or redeem Shares are communicated via Distributors.**

**All instructions to redeem or switch Shares shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Dealing Day.**

The value of Shares held by any Shareholder in any one Share Class after any switch or redemption should generally exceed the minimum investment as specified in Appendix IV.

Unless waived by the Management Company, if, as a result of any switch or redemption request, the amount invested by any Shareholder in a Share Class in any one Fund falls below the minimum holding for that Share Class, it will be treated as an instruction to redeem or switch, as appropriate, the Shareholder's total holding in the relevant Share Class.

The Directors may permit, if they deem it appropriate, different dealing cut-off times to be determined in justified circumstances, such as distribution to Investors in jurisdictions with a different time zone. Such different dealing cut-off times may either be specifically agreed upon with Distributors or may be published in any supplement to the Prospectus or other marketing document used in the jurisdiction concerned. In such circumstances, the applicable dealing cut-off time applied to Shareholders must always precede the Dealing Cut-off Time referred to in Appendix IV.

Confirmation of transactions will normally be dispatched by the Management Company on the Business Day following the Calculation Day relevant to those redemption or switching transactions. Shareholders should promptly check these confirmations to ensure that they are correct in every detail.

Switching or redemption requests will be considered binding and irrevocable by the Management Company and will, at the discretion of the Management Company, only be executed where the relevant Shares have been duly issued.

Instructions to make payments to third parties will only be accepted at the Management Company's discretion.

### **2.3. Restrictions on Subscriptions and Switches into certain Funds or Classes**

A Fund or Share Class may be closed to new subscriptions or switches in (but not to redemptions or switches out) if, in the opinion of the Management Company, the closure is necessary to protect the interests of existing Shareholders. Without limiting the circumstances where the closure may be appropriate, such circumstances may be where the Fund or a Share Class has reached a size such that the capacity of the market has been reached or that it becomes difficult to manage in an optimal manner, and/or where to permit further inflows would be detrimental to the performance of the Fund or the Share Class. Any Fund or Share Class may be closed to new subscriptions or switches in without notice to Shareholders if Appendix IV discloses that a Fund or Share Class may be capacity constrained. Once closed, a Fund, or Share Class, will not be re-opened until, in the opinion of the Management Company, the circumstances which required closure no longer prevail. A Fund or Share Class may be re-opened to new subscriptions or switches in without notice to Shareholders.

Investors should contact the Management Company or check the website [www.schroders.lu](http://www.schroders.lu) for the current status of the relevant Funds or Share Classes and for subscription opportunities that may occur (if any).

Capacity Restricted Dealing ("CRD") may be implemented for Funds which are closed to new subscriptions or switches in. Any investor who wants to invest in a Fund for which CRD is in effect must submit an expression of interest ("EOI") form to the Management Company, which can be found on the website: [www.schroders.lu/crd](http://www.schroders.lu/crd). Investors who have submitted a valid EOI form will be placed on a waiting list and contacted by the Management Company should capacity become available. Investors will be contacted strictly in date order that the EOI forms were accepted by the Management Company. The EOI form contains a maximum subscription limit which investors may not exceed. The Management Company reserves the right to reject or scale back subscriptions if the total subscription amount is in excess of the limit stated in the terms and conditions of the EOI form. Investors who have not submitted an EOI form will not (while CRD remains in effect) be permitted to invest in the Fund should capacity become available. Investors should contact the Management Company or check the website [www.schroders.lu/crd](http://www.schroders.lu/crd) for more detail on how the CRD facility will operate and for the list of closed Funds for which CRD is in effect. The normal eligibility requirements will apply to any applications made under the CRD process.

## **2.4. Calculation of Net Asset Value**

### **Calculation of the Net Asset Value per Share**

- (A) The Net Asset Value per Share of each Share Class will be calculated on the Calculation Day in the currency of the relevant Share Class. It will be calculated by dividing the Net Asset Value attributable to each Share Class by the number of Shares of such Share Class then in issue. The resulting sum shall be rounded to the nearest two decimal places.
- (B) The Directors reserve the right to allow the Net Asset Value per Share of each Share Class to be calculated more frequently than specified in Appendix IV, or to otherwise alter dealing arrangements on a permanent or a temporary basis, for example, where the Directors consider that a material change to the market value of the investments in one or more Funds so demands. The Prospectus will be amended, following any such permanent alteration, and Shareholders will be informed accordingly.

In valuing total net assets, the following rules will apply:

- (1) The value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely (in the view of the Company) to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Company may consider appropriate in such case to reflect the true value thereof.
- (2) The value of such securities, derivatives and assets will be determined on the basis of the prices at the close of market on the Business Day, on the stock exchange or any other Regulated Market on which these securities or assets are traded or admitted for trading. Where such securities or other assets are quoted or dealt in one or by more than one stock exchange or any other Regulated Market, the Directors shall make regulations for the order of priority in which stock exchanges or other Regulated Markets shall be used for the provisions of prices of securities or assets.
- (3) If a security is not traded or admitted on any official stock exchange or any Regulated Market, or in the case of securities so traded or admitted the last available price of which does not reflect their true value, the Directors are required to proceed on the basis of their expected sales price, which shall be valued with prudence and in good faith.
- (4) The derivatives which are not listed on any official stock exchange or traded on any other organised market are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative. The reference to fair value shall be understood as a reference to the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an

arm's length transaction. The reference to reliable and verifiable valuation shall be understood as a reference to a valuation, which does not rely only on market quotations of the counterparty and which fulfils the following criteria:

- (I) The basis of the valuation is either a reliable up-to-market value of the instrument, or, if such value is not available, a pricing model using an adequate recognised methodology.
- (II) Verification of the valuation is carried out by one of the following:
  - (a) an appropriate third party which is independent from the counterparty of the OTC derivative, at an adequate frequency and in such a way that the Company is able to check it;
  - (b) a unit within the Company which is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.
- (5) Units or shares in open-ended UCIs shall be valued on the basis of their last available Net Asset Value as reported by such UCIs.
- (6) Liquid assets and money market instruments may be valued at nominal value plus any accrued interest or on an amortised cost basis. All other assets, where practice allows, may be valued in the same manner.
- (7) If any of the aforesaid valuation principles do not reflect the valuation method commonly used in specific markets or if any such valuation principles do not seem accurate for the purpose of determining the value of the Company's assets, the Directors may fix different valuation principles in good faith and in accordance with generally accepted valuation principles and procedures.
- (8) Any assets or liabilities in currencies other than the Fund Currency (as defined in Appendix IV) will be converted using the relevant spot rate quoted by a bank or other recognised financial institution.
- (9) If any of the aforesaid valuation principles do not reflect the valuation method commonly used in specific markets or if any such valuation principles do not seem accurate for the purpose of determining the value of the Company's assets, the Directors may fix different valuation principles in good faith and in accordance with generally accepted valuation principles and procedures.
- (10) Any assets or liabilities in currencies other than the Fund Currency (as defined in Appendix IV) will be converted using the relevant spot rate quoted by a bank or other recognised financial institution.
- (11) The swaps are valued at their fair value based on the underlying assets as well as on the characteristics of the underlying commitments.
- (C) If on any Dealing Day the aggregate transactions in Shares of a Fund result in a net increase or decrease of Shares which exceeds a threshold set by the Directors from time to time for that Fund (relating to the cost of market dealing for that Fund), the Net Asset Value of the Fund will be adjusted by an amount (not exceeding 2% of that Net Asset Value) which reflects both the estimated fiscal charges and dealing costs that may be incurred by the Fund and the estimated bid/offer spread of the assets in which the Fund invests. The adjustment will be an addition when the net movement results in an increase of all Shares of the Fund and a deduction when it results in a decrease. Please see "Dilution" and "Dilution Adjustment" below for more details.

### **Dilution**

The Funds are single priced and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of their underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions, redemptions and/or switches in and out of the Fund. This is known as "dilution". In order to counter this and to protect Shareholders' interests, the Management Company will apply "swing pricing" as part of its daily valuation policy. This will mean that in certain circumstances the Management Company will make adjustments in the calculations of the Net Asset Values per Share, to counter the impact of dealing and other costs on occasions when these are deemed to be significant.

### Dilution Adjustment

In the usual course of business the application of a dilution adjustment will be triggered mechanically and on a consistent basis.

The need to make a dilution adjustment will depend upon the net value of subscriptions, switches and redemptions received by a Fund for each Dealing Day. The Management Company therefore reserves the right to make a dilution adjustment where a Fund experiences a net cash movement which exceeds a threshold set by the Directors from time to time of the previous Dealing Day's total Net Asset Value.

The Management Company may also make a discretionary dilution adjustment if, in its opinion, it is in the interest of existing Shareholders to do so.

Where a dilution adjustment is made, it will typically increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when there are net outflows. The Net Asset Value per Share of each Share Class in the Fund will be calculated separately but any dilution adjustment will, in percentage terms, affect the Net Asset Value per Share of each Share Class identically.

As dilution is related to the inflows and outflows of money from the Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Management Company will need to make such dilution adjustments.

Because the dilution adjustment for each Fund will be calculated by reference to the costs of dealing in the underlying investments of that Fund, including any dealing spreads, which can vary with market conditions, this means that the amount of the dilution adjustment can vary over time but will not exceed 2% of the relevant Net Asset Value.

### General

**The Directors are authorised to apply other appropriate valuation principles for the assets of the Funds and/or the assets of a given Share Class if the aforesaid valuation methods appear impossible or inappropriate due to extraordinary circumstances or events.**

### 2.5. Suspensions or Deferrals

- (A) If the aggregate value of the redemption and switch instructions for any one Dealing Day corresponds to more than 5% of the net assets of a Fund, the Directors may defer part or all of such redemption and switch instructions, as they consider to be in the best interest of the Fund and its Shareholders, to the next Dealing Day and such deferred requests will be valued at the Net Asset Value per Share prevailing on that Dealing Day. On such Dealing Day, deferred requests will be dealt with in priority to later requests and in the order that requests were initially received by the Management Company.
- (B) The Company reserves the right to extend the period of payment of redemption proceeds to such period, not exceeding thirty Business Days, as shall be necessary to repatriate proceeds of the sale of investments in the event of impediments due to exchange control regulations or similar constraints in the markets in which a substantial part of the assets of a Fund are invested or in exceptional circumstances where the liquidity of a Fund is not sufficient to meet the redemption requests.
- (C) The Company may suspend or defer the calculation of the Net Asset Value per Share of any Share Class in any Fund and the issue and redemption of any Shares in such Fund, as well as the right to switch Shares of any Share Class in any Fund into Shares of the same Share Class of the same Fund or any other Fund:
  - (1) during any period when any of the principal stock exchanges or any other Regulated Market on which any substantial portion of the Company's investments of the relevant Share Class for the time being are quoted, is closed, or during which dealings are restricted or suspended; or
  - (2) during any period when the determination of the net asset value per share of and/or the redemptions in the underlying investment funds representing a material part of the assets of the relevant Fund is suspended; or

- (3) during the existence of any state of affairs which constitutes an emergency as a result of which disposal or valuation of investments of the relevant Fund by the Company is impracticable; or
  - (4) during any breakdown in the means of communication normally employed in determining the price or value of any of the Company's investments or the current prices or values on any market or stock exchange; or
  - (5) during any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of such Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of such Shares cannot in the opinion of the Directors be effected at normal rates of exchange; or
  - (6) if the Company or a Fund or a Share Class is being or may be wound-up or merged on or following (i) the date on which notice is given of the meeting of Shareholders at which a resolution to wind up the Company or the relevant Fund or Share Class is proposed or (ii) the date on which the Directors decide to wind up or merge a Fund or a Share Class; or
  - (7) if the Directors have determined that there has been a material change in the valuations of a substantial proportion of the investments of the Company attributable to a particular Share Class in the preparation or use of a valuation or the carrying out of a later or subsequent valuation; or
  - (8) during any other circumstance or circumstances where a failure to do so might result in the Company or its Shareholders incurring any liability to taxation or suffering other pecuniary disadvantages or other detriment.
- (D) The suspension of the calculation of the Net Asset Value per Share of any Fund or Share Class shall not affect the valuation of other Funds or Share Classes, unless these Funds or Share Classes are also affected.
- (E) During a period of suspension or deferral, a Shareholder may withdraw his request in respect of any Shares not redeemed or switched, by notice in writing received by the Management Company before the end of such period.

Shareholders will be informed of any suspension or deferral as appropriate.

## **2.6. Market Timing and Frequent Trading Policy**

The Company does not knowingly allow dealing activity which is associated with market timing or frequent trading practices, as such practices may adversely affect the interests of all Shareholders.

For the purposes of this section, market timing is held to mean subscriptions into, switches between or redemptions of Shares from the various Share Classes (whether such acts are performed singly or severally at any time by one or several persons) that seek or could reasonably be considered to appear to seek profits through arbitrage or market timing opportunities. Frequent trading is held to mean subscriptions into, switches between or redemptions of Shares from the various Share Classes (whether such acts are performed singly or severally at any time by one or several persons) that by virtue of their frequency or size cause any Fund's operational expenses to increase to an extent that could reasonably be considered detrimental to the interests of the Fund's other Shareholders.

Accordingly, the Directors may, whenever they deem it appropriate, cause the Management Company to implement either one, or both, of the following measures:

- The Management Company may combine Shares which are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in market timing practices.
- The Directors reserve the right to cause the Management Company to reject any application for switching and/or subscription of Shares from Investors whom the former considers market timers or frequent traders.

If a Fund is primarily invested in markets which are closed for business at the time the Fund is valued, the Directors may, during periods of market volatility, and by derogation from the provisions above, under "Calculation of Net Asset Value", cause the



Management Company to allow for the Net Asset Value per Share to be adjusted to reflect more accurately the fair value of the Fund's investments at the point of valuation. As a result, where the Directors believe that a significant event has occurred between the close of the markets in which a Fund invests and the point of valuation, and that such event will materially affect the value of that Fund's portfolio, they may cause the Management Company to adjust the Net Asset Value per Share so as to reflect what is believed to be the fair value of the portfolio as at the point of valuation ("fair value pricing").

The level of adjustment will be based upon the movement in a chosen surrogate up until the point of valuation, provided that such movement exceeds the threshold as determined by the Directors for the relevant Fund. The surrogate will usually be in the form of a futures index, but might also be a basket of securities, which the Directors believe is strongly correlated to, and representative of, the performance of the Fund.

Where an adjustment is made as per the foregoing, it will be applied consistently to all Share Classes in the same Fund.

# Section 3

## 3. General Information

### 3.1. Administration Details, Charges and Expenses

#### Directors

Each of the Directors is entitled to remuneration for his services at a rate determined by the Company in the general meeting from time to time. In addition, each Director may be paid reasonable expenses incurred while attending meetings of Directors or general meetings of the Company. Directors who are also directors/employees of the Management Company and/or any Schroders' company will waive their Directors' remuneration. External Directors will be remunerated for their services.

#### Management Company

The Directors have appointed Schroder Investment Management (Luxembourg) S.A. (i) as the Company's alternative investment fund manager within the meaning of article 1 (46) of the 2013 Law to perform portfolio and risk management functions and (ii) to perform administration and marketing functions.

The Management Company is permitted by the Company to delegate certain administrative, distribution and management functions to specialised service providers. In that context, the Management Company has delegated certain administration functions to Brown Brothers Harriman (Luxembourg) S.C.A. and may delegate certain marketing functions to entities which form part of the Schroders group. The Management Company has also delegated certain investment management functions to the Investment Managers within the limits permitted by the 2013 Law and subject to proper supervision as more fully described above and below. However, the Management Company remains responsible for the risk management function.

The Management Company is responsible for the decision to appoint and remove any Investment Manager to the Funds. The Management Company is advised by the Investment Adviser on the selection of the third party Investment Managers. The Management Company has appointed the Investment Adviser to give advice on the investment capabilities and credit worthiness of the third party Investment Managers. In addition, the Management Company will examine the operational capabilities of the third party Investment Managers. The Management Company will monitor on a continued basis the activities of the third parties to which it has delegated functions. The agreements entered between the Management Company and the relevant third parties provide that the Management Company can give at any time further instructions to such third parties, and that it can withdraw their mandate with immediate effect if this is in the interest of the Shareholders. The Management Company's liability towards the Company is not affected by the fact that it has delegated certain functions to third parties.

The Management Company is entitled to receive the customary charges for its services as administration agent, coordinator, domiciliary agent, global distributor, principal paying agent and registrar and transfer agent. These fees are accrued at each Calculation Day and included in the Net Asset Values of the Funds on the following Calculation Day at an annual rate of up to 0.25% by reference to the Net Asset Value of the relevant Fund and are paid monthly. As the fee is a fixed percentage of the Net Asset Value of a Fund it will not vary with the cost of providing the relevant services. As such the Management Company could make a profit (or loss) on the provision of those services, which will fluctuate over time on a Fund by Fund basis. These fees are subject from time to time to review by the Management Company and the Company. The Management Company is also entitled to reimbursement of all reasonable out-of-pocket expenses properly incurred in carrying out its duties.

Schroder Investment Management (Luxembourg) S.A. was incorporated as a "société anonyme" in Luxembourg on 23 August 1991 and has an issued and fully paid up share capital of EUR 12,867,092.98. Schroder Investment Management (Luxembourg) S.A. is authorised as a management company under chapter 15 of the 2010 Law and as an alternative investment fund manager under the 2013 Law and as such, provides collective portfolio management services to UCIs.

#### Investment Adviser

The Management Company has appointed Schroder Investment Management Limited as the Company's Investment Adviser. The Investment Adviser advises the Management Company on the selection and appointment of third party Investment Managers. The Investment Adviser sources the third party Investment Managers and advises the Management Company on their investment capabilities and credit worthiness to enable

the Management Company to assess an Investment Manager's suitability to manage a Fund. The Investment Adviser is affiliated to Schroders and is authorised and regulated by the Financial Conduct Authority. The Management Company will cause a fee to be paid by the relevant Fund to the Investment Adviser for its advisory services.

### **Investment Managers**

Each of the Funds is managed by an independent investment manager with a particular expertise in managing funds with alternative strategies. The Management Company has appointed each Investment Manager based on the Investment Manager's experience and expertise in managing funds with alternative strategies but the Management Company may terminate each appointment immediately where it is in the best interest of Shareholders to do so.

The Investment Managers may on a discretionary basis enter into financial derivative contracts as well as acquire and dispose of securities of the Funds for which they have been appointed by the Management Company, subject to and in accordance with instructions received from the Management Company and/or the Company from time to time, and in accordance with stated investment objectives and restrictions. The Management Company will cause management fees to be paid by the relevant Funds to the Investment Managers, as remuneration for their services, by reference to the Net Asset Values of the Funds, as specified in Appendix IV. In addition, in certain circumstances at the Management Company's discretion, the Investment Managers may be entitled to the reimbursement of a part of their research and consultancy fees as further described in Appendix IV and to reasonable expenses properly incurred in carrying out their duties. Such fees are accrued at each Calculation Day and included in the Net Asset Values of the Funds on the following Calculation Day and paid monthly. The Investment Managers are also entitled to receive a performance fee as further described under the heading "Performance Fees".

In the performance of their duties, Investment Managers may seek, at their own expense, advice from investment advisers.

Investment Managers may enter into soft commission arrangements only where there is a direct and identifiable benefit to the clients of the Investment Manager, including the Company, and where the Investment Manager is satisfied that the transactions generating the soft commissions are made in good faith, in strict compliance with applicable regulatory requirements and in the best interests of the Company. Any such arrangements must be made by the Investment Manager on terms commensurate with best market practice.

### **Marketing of the Shares and terms applying to Distributors**

The Management Company shall perform its marketing functions by appointing and, as the case may be, terminating, coordinating among and compensating third party distributors of good repute in the countries where the Shares of the Funds may be distributed or privately placed. Third party distributors shall be compensated for their distribution, shareholder servicing and expenses. Third party distributors may be paid a portion or all of the initial charge, distribution charge, shareholder servicing fee, and management fee.

Distributors may only market the Company's Shares if the Management Company has authorised them to do so.

Distributors shall abide by and enforce all the terms of this Prospectus including, where applicable, the terms of any mandatory provisions of Luxembourg laws and regulations relating to the distribution of the Shares. Distributors shall also abide by the terms of any laws and regulations applicable to them in the country where their activity takes place, including, in particular, any relevant requirements to identify and know their clients.

Distributors must not act in any way that would be damaging or onerous on the Company in particular by submitting the Company to regulatory, fiscal or reporting information it would otherwise not have been subject to. Distributors must not hold themselves out as representing the Company.

### **Structured Products**

Investment in the Shares for the purpose of creating a structured product replicating the performance of the Funds is only permitted after entering into a specific agreement to this effect with the Management Company. In the absence of such an agreement, the

Management Company can refuse an investment into the Shares if this is related to a structured product and deemed by the Management Company to potentially conflict with the interest of other Shareholders.

### **Depository**

Brown Brothers Harriman (Luxembourg) S.C.A. ("BBH") has been appointed by the Company as Depository of the Company within the meaning of the 2013 Law (as further explained below). BBH is a Société en Commandite par Actions organised under the laws of the Grand Duchy of Luxembourg. It is a credit institution incorporated in Luxembourg on 9 February 1989 and its registered office is at 80, route d'Esch, 1470 Luxembourg. It is licensed to carry out banking activities under the terms of the Luxembourg law of 5 April 1993 on the financial services sector, as amended. BBH is a wholly owned subsidiary of Brown Brothers Harriman & Co. ("BBH & Co."). Founded in 1818, BBH & Co. is a commercial bank organised as a partnership under the private banking laws of the states of New York, Massachusetts and Pennsylvania.

The Depository shall assume its functions and responsibilities in accordance with the 2013 Law. The principal duties of the Depository are as follows:

- (A) Safe-keeping of the assets of the Company that can be held in custody (including book entry securities) and record-keeping of assets that cannot be held in custody in which case the Depository must verify their ownership;
- (B) Ensure that the Company's cash flows are properly monitored, and in particular ensure that all payments made by or on behalf of Shareholders upon the subscription of Shares in the Company have been received and that all cash of the Company has been booked in cash accounts that the Depository can monitor and reconcile;
- (C) Ensure that the issue, redemption and cancellation of Shares of the Company are carried out in accordance with applicable laws and the Articles;
- (D) Ensure that the value of the Shares of the Company is calculated in accordance with applicable laws, the Articles and the valuation procedures;
- (E) Carry out the instructions of the Management Company, unless they conflict with applicable laws or the Articles;
- (F) Ensure that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits;
- (G) Ensure that the Company's income is applied in accordance with applicable laws and the Articles.

In relation to the Depository's safekeeping duties as referred to in paragraph (A) above, in respect of financial instruments that can be held in custody (as defined in article 1 (51) of the 2013 Law), the Depository is liable to the Shareholders for any loss of such financial instruments held in custody by the Depository or any delegate of the Depository to whom safekeeping of those financial instruments has been delegated (a "Correspondent"), save to the extent that any such liability has been contractually discharged to a Correspondent pursuant to article 19(11) and article 19(13) of the 2013 Law. The term "loss of financial instruments held in custody" shall be interpreted in accordance with the AIFM Regulation and especially article 100 of the AIFM Regulation.

The Depository may only delegate its safekeeping functions but not its oversight functions. Additionally, when delegating such functions, the Depository shall comply with the due diligence and supervisory requirements of the 2013 Law relating to the selection and on-going monitoring of Correspondents. The Depository shall also ensure that identified conflicts of interest are managed and monitored.

In the event that the law of a particular jurisdiction requires that certain financial instruments be held in custody by a local entity and no local Correspondent has been identified by the Depository as being capable of fulfilling the delegation requirements of the 2013 Law, the Management Company shall, prior to the Shareholders investing in those financial instruments, (i) ensure that the Shareholders are duly informed that the delegation is required due to legal constraint in that jurisdiction and (ii) set out for them the circumstances that, in the reasonable opinion of the Management Company, justify such delegation. In the event that the delegation requirements of the 2013 Law are not capable of being fulfilled by a Correspondent after the Shareholder has invested in the

Company, the Management Company shall also ensure that the Shareholders are informed of the legal constraints in the relevant law and of the circumstances that, in the reasonable opinion of the Management Company, justify such delegation.

To the extent that a Correspondent is permitted to sub-delegate its functions, it may do so only to the extent that its liability under the 2013 Law is not affected by such sub-delegation.

The list of Correspondents relevant to the Company is available on <http://www.bbh.com/luxglobalcustodynetworklist>.

The Depositary has delegated to the prime broker the safekeeping of certain of the Schroder GAIA II NGA Turnaround's financial instruments pursuant to the terms of a sub-custodian agreement and the prime broker has accepted the transfer to it of liability for the "loss of financial instrument held in custody". The Depositary and the Company consider that this delegation is necessary to ensure that the Fund is able to pursue its investment strategy and objectives. The Depositary will receive from the Company such fees and commissions as are in accordance with usual practice in the Grand Duchy of Luxembourg. The custody safekeeping services and transaction fees are accrued at each Calculation Day and included in the Net Asset Values of the Funds on the following Calculation Day and paid monthly. The fee paid for this custody service is of 0.025% per annum of the Net Asset Value of the Fund. BBH's fees are subject to an annual minimum amount agreed between BBH and the Company.

Custody fees may be subject to review by the Depositary and by the Company from time to time. In addition, the Depositary is entitled to any reasonable expenses properly incurred by it or its delegates in carrying out their duties.

#### **Administration Agent**

The Management Company has delegated certain administration functions to BBH as the Administration Agent. Fees relating to fund accounting and valuation in the scope of BBH's capacity as Administration Agent are accrued at each Calculation Day and included in the Net Asset Values of the Funds on the following Calculation Day and paid monthly up to a maximum of 0.07% per annum of the Net Asset Value of the Fund. BBH's fees are subject to an annual minimum amount agreed between BBH and the Management Company.

Administration fees, may be subject to review by the Administration Agent and by the Management Company from time to time. In addition, the Administration Agent is entitled to any reasonable expenses properly incurred in carrying out its duties.

The amounts paid to the Depositary and Administration Agent will be shown in the Company's financial statements.

#### **Prime Broker**

The Company may, with the approval of the Depositary and in accordance with article 20 of the AIFM Regulation, appoint one or several prime brokers to provide custody, brokerage and dealing services to the Company or a specific Fund as determined under the terms of each prime brokerage agreement and as set out below:

J.P. Morgan Clearing Corp., J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A., J. P. Morgan Securities plc, J.P. Morgan Securities (Asia Pacific) Limited ("JP Morgan") have each been appointed as a prime broker to Schroder GAIA II NGA Turnaround pursuant to a prime brokerage agreement entered into by the Company acting through the Management Company. Each JP Morgan entity is subject to prudential regulation and ongoing supervision.

The total value of the assets of a Fund over which a right of use (or rehypothecation right) can be granted in favour of the prime broker is limited to 120% of the debt of the Fund towards the prime broker.

The acts of each prime broker, in relation to the sub-custody services, are subject to the overall supervision of the Depositary in accordance with the 2013 Law.

In relation to custody services, the prime broker may be authorised to sub-delegate its functions in accordance with the AIFM Rules.

### Other Charges and Expenses

The Company will pay all charges and expenses incurred in the operation of the Company including, without limitation, taxes, expenses for legal and auditing services, tax advice, brokerage, governmental duties and charges, stock exchange listing expenses and fees due to supervisory authorities in various countries, including the costs incurred in obtaining and maintaining registrations so that the Shares of the Company may be marketed in different countries; expenses incurred in the issue, switch and redemption of Shares and payment of dividends, registration fees, insurance, interest and the costs of computation and publication of Share prices and postage, telephone, facsimile transmission and the use of other electronic communication; costs of printing proxies, statements, Share certificates, if any, or confirmations of transactions, Shareholders' reports, prospectuses and supplementary documentation, explanatory brochures and any other periodical information or documentation.

In addition to standard banking and brokerage charges paid by the Company, Schroders' companies providing services to the Company may receive payment for these services.

The Company shall bear its incorporation expenses, including the costs of drawing up and printing the Prospectus, notary public fees, the filing and initial notification costs associated with seeking approval from supervisory, administrative and stock exchange authorities, the costs of printing Share certificates, if any, and any other costs pertaining to the setting up and launching of the Company.

These incorporation expenses, estimated at an amount equivalent to EUR 200,000, will be borne by the Company. These expenses may, at the discretion of the Management Company, be amortised on a straight line basis over 5 years from the date on which the Company commenced business over the assets of the Fund(s) (including any Funds launched on a future date not exceeding the amortisation period). The Management Company may, in its absolute discretion, shorten the period over which such costs and expenses are amortised.

### 3.2. Performance Fees

In consideration of the services provided by the respective Investment Managers in relation to the Funds, the Investment Manager may be entitled to receive a performance fee, in addition to a management fee. Two methodologies may be used to calculate a performance fee, as described below, and details of which methodology is being used for each Fund are contained in Appendix IV. A performance fee is calculated prior to any Dilution Adjustments (as defined in the section entitled "Dilution Adjustments" towards the end of section 2.4).

#### (A) Performance Fees – Using a Hurdle or Benchmark with a High Water Mark

The criteria that need to be fulfilled for a performance fee to become due are that the Net Asset Value per Share at the end of a Performance Period (before deduction of any performance fee paid or payable in respect of such Performance Period) is greater than:

- (1) the Net Asset Value per Share at the end of the previous Performance Period in respect of which a performance fee was paid or payable (i.e. after deduction of any performance fee paid or payable in respect of such prior Performance Period) (such Net Asset Value per Share being the "High Water Mark"); and
- (2) the Hurdle or the Benchmark (as the Company and the relevant Investment Manager have agreed in writing (and disclosed to the relevant Shareholders) is to be applicable to that Investment Manager and Fund).

A Performance Period shall be each Financial Year except:

- that where the Net Asset Value per Share (before deduction of any performance fee paid or payable in respect of such Performance Period) as at the end of that Financial Year is lower than the High Water Mark, the commencement of the Performance Period will remain the date of that High Water Mark;
- that if a performance fee is introduced in relation to a Fund during a Financial Year, then its first Performance Period will commence on the date on which such fee is introduced and the High Water Mark shall be the Net Asset Value per Share on the date of such introduction; and

- where a Performance Period ends during a Financial Year.

The performance fee (as accrued below, if applicable) is payable during the month immediately following the end of each Performance Period. In addition if a Shareholder redeems or switches all or part of their Shares before the end of a Performance Period, any accrued performance fee with respect to such Shares will crystallise on that Dealing Day and will then become payable to the Investment Manager. The High Water Mark is not reset on those Dealing Days on which performance fees crystallise following the redemption or switching of Shares.

As the Net Asset Value per Share may differ between Share Classes, separate performance fee calculations will be carried out on each Share Class within the same Fund, which therefore may become subject to different amounts of performance fee.

On every Business Day, if the criteria for a performance fee being due as set out above have been met (treating for these purposes each such Business Day as if it were the final Business Day of the Performance Period), a Share Class' performance fee is accrued on that Business Day and reflected in the Net Asset Value of each such Share Class on the following Calculation Day, by applying the relevant multiplier identified in the Performance Fee section of the Fund Characteristics table for the relevant Fund set out in Appendix IV to the excess of

- the relevant Net Asset Value per Share determined on the same Calculation Day (before deduction of any performance fee paid or payable in respect of that Performance Period); less
- the higher of the High Water Mark and either the Hurdle or the Benchmark (as applicable) on that Calculation Day

multiplied by the average number of Shares in issue on the relevant Business Day.

On each Calculation Day, any accounting provision made on the previous Calculation Day is adjusted to reflect the Share Class' performance, positive or negative, calculated as described above. If the Net Asset Value per Share on the Calculation Day is lower than the Hurdle or the Benchmark (as applicable) or the High Water Mark, the provision made on the previous Calculation Day is returned to the relevant Share Class within the relevant Fund. The accounting provision may, however, never be negative. Under no circumstances will the respective Investment Manager pay money into a Fund or to any Shareholder for any underperformance.

#### **(B) Performance Fees – On absolute returns with a High Water Mark**

The criteria that need to be fulfilled for a performance fee to become due are that the Net Asset Value per Share at the end of a Performance Period (before deduction of any performance fee paid or payable in respect of such Performance Period) is greater than the High Water Mark.

The performance fee (as accrued below, if applicable) is payable during the month immediately following the end of each Performance Period. In addition if a Shareholder redeems or switches all or part of their Shares before the end of a Performance Period, any accrued performance fee with respect to such Shares will crystallise on that Dealing Day and will then become payable to the Investment Manager. The High Water Mark is not reset on those Dealing Days on which performance fees crystallise following the redemption or switch of Shares.

As the Net Asset Value per Share may differ between Share Classes, separate performance fee calculations will be carried out on each Share Class within the same Fund, which therefore may become subject to different amounts of performance fee.

On every Business Day, if the criteria for a performance fee being due as set out above have been met (treating for these purposes each Business Day as if it were the final Business Day of the Performance Period), a Share Class' performance fee is accrued on that Business Day and reflected in the Net Asset Value of each such Share Class on the following Calculation Day, by applying the relevant multiplier identified in the Performance Fee section of the Fund Characteristics table for the relevant Fund set out in Appendix IV to the excess of:

- the relevant Net Asset Value per Share determined on the same Calculation Day (before deduction of any performance fee paid or payable in respect of that Performance Period) less
- the High Water Mark,

multiplied by the average number of Shares in issue on the relevant Business Day.

On each Calculation Day, any accounting provision made on the previous Calculation Day is adjusted to reflect the Share Class' performance, positive or negative, calculated as described above. If the Net Asset Value per Share on the Calculation Day is lower than the High Water Mark, the provision made on the previous Calculation Day is returned to the relevant Share Class within the relevant Fund. The accounting provision may, however, never be negative. Under no circumstances will the respective Investment Manager pay money into a Fund or to any Shareholder for any underperformance.

### **(C) General**

In either of the above two methodologies, if the Net Asset Value per Share is below the High Water Mark, the Investment Manager will not benefit from any performance fee accruals including for Shares that are newly issued and which only experience positive performance. The Directors therefore reserve the right to immediately close the relevant Share Class for new subscriptions, although redemptions and switches out will continue to be allowed as usual. Shares in a new relevant Share Class will then become available for subscription with a High Water Mark set at the initial Net Asset Value per Share of that Class. This in effect will create series based performance fees. In order to differentiate between additional Share Classes in the same series, each additional Share Class will be designated in an alphabetical sequence, so for example a second issue of A Shares would become Aa Shares, and then Ab Shares, Ac Shares and so forth. At the end of each Performance Period in which a performance fee accrual becomes payable on certain Share Class series, the Directors reserve the right to consolidate these relevant Share Class series into a single series. If no performance fee accrual is payable, the High Water Mark remains unchanged.

At the time of issue of this Prospectus, the relevant Funds and Share Classes in relation to which a performance fee may be introduced are specified in the Fund Details in Appendix IV, including details of any Hurdle or Benchmark used. For the avoidance of doubt, the Benchmarks mentioned in Appendix IV are solely used for performance fee calculation purposes, and they should therefore under no circumstances be considered as indicative of a specific investment style or level of investment performance. In relation to currency hedged Share Classes, currency hedged versions of the relevant performance fee Benchmark (including currency equivalent cash benchmarks) or Hurdle may be used for performance fee calculation purposes.

### **3.3. Company Information**

- (A) The Company is an umbrella structured open-ended investment company with limited liability, organised as a "société anonyme" and qualifies as a SICAV under Part II of the 2010 Law and as an alternative investment fund within the meaning of the 2013 Law. The Company was incorporated on 10 December 2015 and its Articles were published in the Mémorial on 24 December 2015.

The Company is registered under Number B202381 with the "Registre de Commerce et des Sociétés", where the Articles have been filed and are available for inspection. The Company exists for an indefinite period.

- (B) The minimum capital of the Company required by Luxembourg law is EUR 1,250,000. The share capital of the Company is represented by fully paid Shares of no par value and is at any time equal to its net asset value. Should the capital of the Company fall below two thirds of the minimum capital, an extraordinary general meeting of Shareholders must be convened to consider the dissolution of the Company. Any decision to liquidate the Company must be taken by the simple majority of the votes of the Shareholders present or represented at the meeting. Where the share capital falls below one quarter of the minimum capital, the Directors must convene an extraordinary general meeting of Shareholders to decide upon the liquidation of the Company. At that meeting, the decision to liquidate the Company may be taken by Shareholders holding together one quarter of the votes cast of the Shares present or represented.

The Reference Currency of the Company is the EUR.



- (C) The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into:
- (1) Fund Services Agreement between the Company and Schroder Investment Management (Luxembourg) S.A., further to which the latter has been appointed alternative investment fund manager and to perform administration and marketing functions
  - (2) Depositary Agreement between the Company, Brown Brothers Harriman (Luxembourg) S.C.A. and the Management Company
  - (3) Advisory Agreement between the Management Company and Schroder Investment Management Limited

The material contracts listed above may be amended from time to time by agreement between the parties thereto.

- (D) In relation to the Depositary Agreement listed above:

- (1) The Depositary or the Company may terminate the Depositary Agreement at any time upon ninety (90) calendar days' written notice (or earlier in case of certain breaches of the Depositary Agreement) provided that the Depositary Agreement shall not terminate until a replacement depositary is appointed.
- (2) Up-to-date information regarding the description of the Depositary's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary, the list of third-party delegates and any conflicts of interest that may arise from such a delegation will be made available to Investors on request from the Depositary.

- (E) The Articles are governed by, and construed in accordance with, the laws currently into force in Luxembourg. The Subscription Form is expressed to be governed by, and construed in accordance with, the laws currently into force in Luxembourg, and is subject to the jurisdiction of the courts of the Grand-Duchy of Luxembourg.

There are no legal instruments in Luxembourg required for the recognition and enforcement of judgments rendered by a Luxembourg court. If a foreign, i.e. non-Luxembourg court, on the basis of mandatory domestic provisions, renders a judgment against the Company, the rules of the Brussels I Regulation (regarding judgments from EU Member States) or the rules of the Lugano Convention or of the private international law of Luxembourg (regarding judgments from non-EU Member States) concerning the recognition and enforcement of foreign judgments apply. Investors are advised to seek advice, on a case-by-case basis, on the available rules concerning the recognition and enforcement of judgments.

### **Documents of the Company**

Copies of the Articles, Prospectus and financial reports may be obtained free of charge and upon request, from the registered office of the Company. The material contracts referred to above are available for inspection during normal business hours at the registered office of the Company.

Any other financial information to be published concerning the Company, including the Net Asset Value, the historical performance of the Funds, the issue and repurchase price of the Shares and any suspension of such valuation, are available upon request at the registered office of the Company and of the Management Company and on the Internet at [www.schroders.lu](http://www.schroders.lu).

### **Queries and Complaints**

Any person who would like to receive further information regarding the Company or who wishes to make a complaint about the operation of the Company should contact the Compliance Officer, Schroder Investment Management (Luxembourg) S.A., 5, rue Höhenhof, 1736 Senningerberg, Grand Duchy of Luxembourg.

### 3.4. Dividends

#### Dividend Policy

It is intended that the Company will distribute dividends to holders of Distribution Shares in the form of cash in the relevant Share Class currency. Annual dividends are declared separately in respect of Distribution Shares at the annual general meeting of Shareholders. In addition, the Directors may declare interim dividends in respect of Distribution Shares.

The Directors may decide that dividends be automatically reinvested by the purchase of further Shares. However, no dividends will be distributed if their amount is below the amount of EUR 50 or its equivalent. Such amount will automatically be reinvested.

Dividends to be reinvested will be paid to the Management Company who will reinvest the money on behalf of the Shareholders in additional Shares of the same Share Class. Such Shares will be issued on the payment date at the Net Asset Value per Share of the relevant Share Class in non-certificated form. Fractional entitlements to registered Shares will be recognised to two decimal places.

Dividends due on Shares remaining unclaimed five years after the dividend record date will be forfeited and will accrue for the benefit of the relevant Fund.

### 3.5. Taxation

The following is based on the Directors' understanding of the law and practice in force at the date of this document and applies to Investors acquiring Shares in the Company as an investment. Investors should, however, consult their financial or other professional advisers on the possible tax or other consequences of buying, holding, transferring, switching, redeeming or other dealing in the Company's Shares under the laws of their countries of citizenship, residence and domicile.

#### Luxembourg Taxation

##### (A) Taxation of the Company

In Luxembourg, the Company is not subject to taxation on its income, profits or gains. The Company is not subject to net wealth tax.

No stamp duty, capital duty or other tax will be payable in Luxembourg upon the issue of the Shares of the Company.

The Company is subject to a subscription tax ("taxe d'abonnement") levied at the rate of 0.05% per annum based on the Net Asset Value of the Company at the end of the relevant quarter, calculated and paid quarterly. A reduced subscription tax of 0.01% per annum is applicable to individual Funds or individual Share Classes, provided that such Fund or Share Class comprises only one or more institutional Investors (within the meaning of Article 174 of the 2010 Law). In addition, in respect of Funds whose exclusive investment policy is to invest in money market instruments and/or deposits with credit institutions, the tax levied will be at the rate of 0.01% per annum of their net assets.

Subscription tax exemption applies to (i) investments in a Luxembourg UCI subject itself to the subscription tax, (ii) UCI, compartments thereof or dedicated classes reserved to retirement pension schemes, (iii) money market UCIs, and, (iv) UCITS and UCIs subject to the part II of the Law qualifying as exchange traded funds.

#### Withholding tax

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax in the source countries. The Company may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin and provisions in this respect may be recognised in certain jurisdictions.

Distributions made by the Company are not subject to withholding tax in Luxembourg.

**This summary is subject to future changes**

**(B) Taxation of Shareholders****Non Luxembourg resident Shareholders**

Non resident individuals or collective entities who do not have a permanent establishment in Luxembourg to which the Shares are attributable, are not subject to Luxembourg taxation on capital gains realized upon disposal of the Shares nor on the distribution received from the Company and the Shares will not be subject to net wealth tax.

**US Foreign Account Tax Compliance Act 2010 (FATCA) and OECD Common Reporting Standard 2016 ("CRS")**

FATCA was enacted in the USA on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It includes provisions under which the Company as a Foreign Financial institution ("FFI") may be required to report directly to the Internal Revenue Service ("IRS") certain information about shares held by US tax payers or other foreign entities subject to FATCA and to collect additional identification information for this purpose. Financial institutions that do not enter into an agreement with the IRS and comply with FATCA regime could be subject to 30% withholding tax on any payment of US source income as well as on the gross proceeds deriving from the sale of securities generating US income made to the Company. On 28 March 2014, the Grand-Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the USA and implemented the IGA into Luxembourg law in July 2015.

CRS has been implemented by Council Directive 2014/107/EU on the mandatory automatic exchange of tax information which was adopted on 9 December 2014 and implemented into Luxembourg law by the law of 18 December 2015 on the automatic exchange of financial account information in the field of taxation ("CRS Law"). CRS became effective among most member states of the EU on 1 January 2016. Under CRS, the Company may be required to report to the Luxembourg tax authority certain information about shares held by investors who are tax resident in a CRS participating country and to collect additional identification information for this purpose. Under the CRS Law, the first exchange of information will be applied by 30 September 2017 for information related to the calendar year 2016. In order to comply with its FATCA and CRS obligations, the Company may be required to obtain certain information from its Investors so as to ascertain their tax status. Under the FATCA IGA referred to above, if the Investor is a specified person, such as a US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the Company will need to report information on these Investors to the Luxembourg tax authority, in accordance with applicable laws and regulations, which will in turn report this to the IRS. Under CRS, if the Investor is tax resident in a CRS participating country and does not provide the requisite documentation, the Company will need to report information on these Investors to the Luxembourg tax authority, in accordance with applicable laws and regulations. Provided that the Company acts in accordance with these provisions it will not be subject to withholding tax under FATCA.

Shareholders and intermediaries should note that it is the existing policy of the Company that Shares are not being offered or sold for the account of US Persons or Investors who do not provide the appropriate CRS information. Subsequent transfers of Shares to US Persons are prohibited. If Shares are beneficially owned by any US Person or a person who has not provided the appropriate CRS information, the Company may in its discretion compulsorily redeem such Shares. Shareholders should moreover note that under the FATCA legislation, the definition of specified persons will include a wider range of Investors compared to other legislation.

**UK Taxation****(A) The Company**

It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it will not become resident in the UK. Accordingly, and provided that the Company does not carry on a trade in the UK through a branch or agency situated therein, the Company will not be subject to UK corporation tax or income tax.

**(B) Shareholders****Offshore Funds Legislation**

Part 8 of the Taxation (International and Other Provisions) Act 2010 and Statutory Instrument 2009/3001 (the "Offshore Funds regulations") provides that if an Investor who is resident or ordinarily resident in the UK for taxation purposes disposes of a

holding in an offshore entity that constitutes an "offshore fund" and that offshore fund does not qualify as a Reporting Fund throughout the period during which the Investor holds that interest, any gain accruing to the Investor upon the sale, redemption or other disposal of that interest (including a deemed disposal on death) will be taxed at the time of such sale, redemption or other disposal as income ("offshore income gains") and not as a capital gain. The Company is an "offshore fund" for the purpose of those provisions.

All Classes of Shares in the Company are currently managed with a view to them qualifying as Reporting Funds for taxation purposes, and accordingly any capital gain on disposal of Shares in the Company should not be reclassified as an income gain under the UK's offshore fund rules. A full list of reporting Share Classes is available from the Management Company on request. A list of reporting funds and their certification dates is published on the HMRC website [www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds](http://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds).

Under the offshore fund rules, Investors in Reporting Funds are subject to tax on their share of the Reporting Fund's income for an accounting period, whether or not the income is distributed to them. UK resident holders of Accumulation Share Classes should be aware that they will be required to account for and pay tax on income which has been reported to them in respect of their holdings, on an annual basis through their tax return, even though such income has not been distributed to them.

For the avoidance of doubt, distributions which in accordance with 3.4 above have been reinvested in further Shares should be deemed for the purpose of UK tax as having been distributed to the Shareholders and subsequently reinvested by them, and accordingly should form part of the Shareholder's taxable income of the period in which the dividend is deemed to have been received.

In accordance with the Offshore Funds legislation, reportable income attributable to each Fund Share will be published no later than 10 months after the end of the reporting period on the following Schroders website: [www.schroders.com/en/lu/professional-investor/fund-centre/fund-administration/income-tables/](http://www.schroders.com/en/lu/professional-investor/fund-centre/fund-administration/income-tables/).

It is the Investor's responsibility to calculate and report their respective total reportable income to HMRC based on the number of Shares held at the end of the reporting period. In addition to reportable income attributable to each Fund Share the report will include information on amounts distributed per Share and the dates of distributions in respect of the reporting period. Shareholders with particular needs may request their report be provided in paper form, however we reserve the right to make a charge for this service.

Chapter 3 of Part 6 of the Corporation Tax Act 2009 provides that, if at any time in an accounting period a person within the charge of UK corporation tax holds an interest in an offshore fund within the meaning of the relevant provisions of the tax legislation, and there is a time in that period when that fund fails to meet the "qualifying investments test", the interest held by such a person will be treated for that accounting period as if it were rights under a creditor relationship for the purposes of the loan relationships regime. An offshore fund fails to meet the "qualifying investments test" at any time where more than 60% of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves meet the "qualifying investments test". The Shares will constitute interests in an offshore fund and on the basis of the investment policies of the Company, the Company could fail to meet the "qualifying investments test".

### **Stamp Taxes**

Transfers of Shares will not be liable to UK stamp duty unless the instrument of transfer is executed within the UK when the transfer will be liable to UK ad valorem stamp duty at the rate of 0.5% of the consideration paid rounded up to the nearest GBP 5. No UK stamp duty reserve tax is payable on transfers of Shares, or agreements to transfer Shares.

### **Distributions**

Distributions paid by Funds that hold more than 60% of their assets in interest-bearing, or economically similar, form at any time in an accounting period are treated as a payment of annual interest for UK resident individual Investors. Where Shares are held within an individual savings account ("ISA"), this income is free of tax. For Shares held outside an ISA, from 6 April 2016 a personal savings allowance is

available to exempt the first GBP 1,000 of interest income from tax in the hands of basic rate taxpayers. The allowance is GBP 500 for higher rate taxpayers and nil for additional rate taxpayers. Total interest received in excess of the allowance in a tax year is subject to tax at the rates applying to interest (currently 20%, 40% and 45%). For distributions paid before 6 April 2016, the distribution is fully subject to tax at these rates.

Distributions paid by Funds that have no more than 60% of their assets in interest-bearing form at all times in an accounting period are treated as foreign dividends. Up to 6 April 2016, these bore a non-payable dividend tax credit for UK resident individual Investors.

Since 6 April 2016, the dividend tax credit has been withdrawn and replaced by a £ 5,000 tax-free Dividend Allowance. Where Shares are held outside an ISA, total dividends received in a tax year up to that amount will be free of income tax. Dividends totalling in excess of that amount will be subject to tax at rates of 7.5%, 32.5% and 38.1% where they fall within the basic rate, higher rate and additional rate bands respectively. Dividends received on Shares held within an ISA will continue to be tax-free. Please note, as announced in the Spring Budget 2017, the UK government will legislate in Finance Bill 2017 to reduce the tax-free Dividend Allowance from £5,000 to £2,000 from 6 April 2018.

### **Equalisation**

The Company operates full equalisation arrangements. Equalisation applies to Shares purchased during a Distribution Period. The amount of income, calculated daily and included in the purchase price of all Shares purchased part way through a Distribution Period is refunded to holders of these Shares on a first distribution as a return of capital.

Being capital it is not liable to income tax and it should be excluded from the calculation of reportable income included in a UK Shareholder's tax return. The daily income element of all Shares is held on a database and is available upon request from the Company's registered office or online at [www.schroders.com/en/lu/professional-investor/fund-centre/fund-administration/equalisation/](http://www.schroders.com/en/lu/professional-investor/fund-centre/fund-administration/equalisation/).

The aim of operating equalisation is to relieve new Investors in the Company from the liability to tax on income already accrued in the Shares they acquire. Equalisation will not affect Shareholders who own their Shares for the whole of a Distribution Period.

## **3.6. Meetings and Reports**

### **Meetings**

In principle, the annual general meeting of Shareholders of the Company is held in Luxembourg on the last Tuesday of February in each year at 11:00 a.m. or, if such day is not a Business Day, on the next Business Day. Notices of all general meetings of Shareholders are sent by registered post at least eight days prior to the meeting. Such notices will include the agenda and specify the place of the meeting. The legal requirements as to notice, quorum and voting at all general and Fund or Share Class meetings are included in the Articles. Meetings of Shareholders of any given Fund or Share Class shall decide upon matters relating to that Fund or Share Class only.

The notice of any general meeting of Shareholders may provide that the quorum and the majority at this general meeting shall be determined according to the Shares issued and outstanding at a certain date and time preceding the general meeting (the "Record Date"). The right of a Shareholder to participate at a general meeting of Shareholders and to exercise voting rights attached to his/its/her Shares shall be determined by reference to the Shares held by this Shareholder as at the Record Date.

### **Reports**

The Financial Year of the Company ends on 30 September each year.

Copies of the annual and semi-annual financial reports may be obtained from the Internet site [www.schroders.lu](http://www.schroders.lu) and are available free of charge from the registered office of the Company. Such reports form an integral part of this Prospectus. The first audited annual report of the Company shall be published for the period ending on 30 September 2016.

### 3.7. Details of Shares

#### Shareholder rights

The Shares issued by the Company are freely transferable and entitled to participate equally in the profits, and in case of Distribution Shares, dividends of the Share Classes to which they relate, and in the net assets of such Share Class upon liquidation. The Shares carry no preferential and pre-emptive rights.

#### Voting

At general meetings, each Shareholder has the right to one vote for each whole Share held.

A Shareholder of any particular Fund or Share Class will be entitled at any separate meeting of the Shareholders of that Fund or Share Class to one vote for each whole Share of that Fund or Share Class held.

In the case of a joint holding, only the first named Shareholder may vote.

#### Compulsory redemption

The Directors may impose or relax restrictions on any Shares and, if necessary, require redemption of Shares to ensure that Shares are neither acquired nor held by or on behalf of any person in breach of the law or requirements of any country or government or regulatory authority or which might have adverse taxation or other pecuniary consequences for the Company including a requirement to register under the laws and regulations of any country or authority. The Directors may in this connection require a Shareholder to provide such information as they may consider necessary to establish whether the Shareholder is the beneficial owner of the Shares which they hold.

If it shall come to the attention of the Directors at any time that Shares are beneficially owned by a US Person, or a specified person for the purposes of FATCA, the Company will have the right compulsorily to redeem such Shares.

#### Transfers

The transfer of registered Shares may be effected by delivery to the Management Company of a duly signed stock transfer form in appropriate form.

#### Rights on a winding-up

The Company has been established for an unlimited period. However, the Company may be liquidated at any time by a resolution adopted by an extraordinary general meeting of Shareholders, at which meeting one or several liquidators will be named and their powers defined. Liquidation will be carried out in accordance with the provisions of Luxembourg law. The net proceeds of liquidation corresponding to each Fund shall be distributed by the liquidators to the Shareholders of the relevant Fund in proportion to the value of their holding of Shares.

If and when the net assets of all Share Classes in a Fund are less than EUR 50,000,000 or its equivalent in another currency, or in the case of a Share Class, such Share Class falls below the amount of EUR 10,000,000 or its equivalent in another currency, or such other amounts as may be determined by the Directors from time to time to be the minimum level for assets of such Fund to be operated in an economically efficient manner or if any economic or political situation would constitute a compelling reason therefore, or if required in the interest of the Shareholders of the relevant Fund, the Directors may decide to redeem all the Shares of that Fund or its liquidation. In any such event Shareholders will be notified by a redemption notice or liquidation notice published (or notified as the case may be) by the Company in accordance with applicable Luxembourg laws and regulations prior to compulsory redemption, and will be paid the Net Asset Value of the Shares of the relevant Share Class held as at the redemption date.

Under the same circumstances as described above, the Directors may also decide upon the reorganisation of any Fund by means of a division into two or more separate Funds in the Company or in another UCI or UCITS. Such decision will be published or notified in the same manner as described above and, in addition, the publication or notification will contain information in relation to the two or more separate Funds resulting from the reorganisation. Such publication or notification will be made at least one month before

the date on which the reorganisation becomes effective in order to enable Shareholders to request redemption or switch of their Shares before the reorganisation becomes effective.

Any merger of a Fund with another Fund of the Company or with another UCI or UCITS (whether subject to Luxembourg law or not) or a merger of the Company with another UCI or UCITS as defined under Luxembourg law (or any fund thereof) shall be decided by the Board of Directors unless the Board of Directors decides to submit the decision for the merger to the general meeting of Shareholders of the Fund concerned. In the latter case, no quorum is required for this general meeting and the decision for the merger is taken by a simple majority of the votes cast. Such a merger will be undertaken in accordance with the provisions of Luxembourg law.

Any liquidation proceeds not claimed by the Shareholders at the close of the liquidation of a Fund will be deposited in escrow at the "Caisse de Consignation". Amounts not claimed from escrow within the period fixed by law may be liable to be forfeited in accordance with the provisions of Luxembourg law.

### **3.8. Information**

As required by the AIFM Rules, and if applicable, the following information will be periodically provided to Shareholders by means of disclosures in the annual and half-yearly reports of the Company or, if the materiality so justifies, notified to Shareholders separately:

- the percentage of the Funds' assets which are subject to special arrangements arising from their illiquid nature;
- any new arrangements for managing liquidity of the Funds, whether or not these are special arrangements, including any changes to the liquidity management systems and procedures referred to in article 16 (1) of the AIFMD and as described in Appendix I, "8. Risk Management Process" which are material in accordance with article 106(1) of the AIFM Regulation;
- the current risk profile of the Funds and the risk management system employed by the Management Company to manage those risks;
- any changes to the maximum level of leverage which the Management Company may employ on behalf of the Funds as well as any right of the reuse of collateral or any guarantee granted under any leveraging arrangement;
- the total amount of leverage employed by the Funds.

Should the Management Company activate any gates or similar special arrangements or where the Management Company decides to suspend redemptions, the Company shall immediately notify affected Shareholders as set out in section "2.5 Suspensions or Deferrals" of the Prospectus. Any change to the liability arrangements agreed with the Depositary for any discharge of liability shall also be notified without delay to the Shareholders to the extent required by, and in accordance with, applicable laws and regulations.

The Management Company will also make available upon request at its registered office all information to be provided to Investors under the 2013 Law, including: (i) all relevant information regarding conflicts of interest (such as the description of any conflict of interest that may arise from any delegation of the functions listed in Appendix I of the 2013 Law or of any conflicts that must be communicated to Investors under Articles 13.1 and 13.2 of the 2013 Law), (ii) the maximum amount of the fees that may be paid annually by the Funds, (iii) the way chosen to cover potential liability risks resulting from its activities under the 2013 Law, (iv) information on any preferential treatment granted to certain Shareholders and (v) the risk profile of each Fund and (vi) the list of the Correspondents used by the Depositary.

# Appendix I

## Investment Restrictions

The Funds must ensure an adequate spread of investment risks by sufficient diversification and compliance with the percentage limits set out below.

The investment restrictions applicable to the Funds are as follows (expressed as a percentage of their Net Asset Value). Exceptions to the below restrictions and any additional restrictions (detailed in Appendix II) applicable to a particular Fund are set out in Appendix IV. In case of any discrepancy between the investment restrictions described in Appendix II and those described here below, the investment restrictions set out in Appendix II will prevail.

### 1. Investment in Securities and Money Market Instruments

- (A) Each Fund may not invest more than 10% of their Net Asset Value in securities which are not quoted on a stock exchange or dealt on another Regulated Market.
- (B) Each Fund may not acquire more than 10% of the securities of the same nature issued by the same issuer.
- (C) Each Fund may not invest more than 20% of its Net Asset Value in securities issued by the same issuer.

The restrictions set forth under (A) to (C) above do however not apply to investments in securities issued or guaranteed by an OECD Member State or its regional or local authorities or by EU, regional or global supranational institutions and bodies and to investments in target undertakings for collective investment that are subject to risk-spreading requirements at least comparable to those applicable to UCI.

A Fund may invest in money market instruments pursuant to the restrictions set forth under (A) to (C) above.

### 2. Investment in UCIs

- (A) Investment in UCIs shall only be possible under the following conditions:
  - (1) each Fund will be able to acquire more than 50% of the units or shares issued by the same UCI, provided that, in such circumstances, if the UCI is a UCI with multiple compartments, the investment of each Fund in the legal entity constituting the target UCI must represent less than 50% of the net assets of each Fund;
  - (2) each Fund may not, in principle, invest more than 20% of its net assets in units or shares issued by the same UCI. For the purpose of this restriction of 20%, each sub-fund of a target UCI with multiple compartments is to be considered as a distinct target UCI on the condition that the principle of segregation of the commitments of the different sub-funds towards third parties is ensured.

By derogation, the above restrictions under (1) and (2) shall not apply to investments in open-ended UCIs subject to risk diversification rules similar to those provided for in respect of Luxembourg UCIs governed by Part II of the 2010 Law, if such target UCIs are submitted in their state of origin to a permanent control carried out by a regulatory authority set up by law in order to ensure the protection of investors. Such derogation may not, at any time, result in an excessive concentration of investments of each compartment in any single target UCI, it being understood that, for the purpose of this limitation, each compartment of a target UCI with multiple compartments is to be considered as a distinct target UCI provided that the principle of segregation of the commitments of the different compartments towards third parties is ensured.

- (B) A Fund (the "Investing Fund") may subscribe, acquire and/or hold securities to be issued or issued by one or more Funds (each, a "Target Fund") without the Company being subject to the requirements of the law of 10 August 1915 on commercial companies, as amended, with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the condition however that:
  - (1) the Target Fund(s) do(es) not, in turn, invest in the Investing Fund invested in this (these) Target Fund(s); and
  - (2) no more than 10% of the assets of the Target Fund(s) whose acquisition is contemplated may be invested in aggregate in units of other Target Funds; and



- (3) voting rights, if any, attaching to the Shares of the Target Fund(s) are suspended for as long as they are held by the Investing Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- (4) in any event, for as long as these securities are held by the Investing Fund, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the 2010 Law; and
- (5) there is no duplication of management/subscription or repurchase fees between those at the level of the Investing Fund having invested in the Target Fund(s), and this (these) Target Fund(s).

### **3. Restrictions on the use of Derivatives**

- (A) Margin deposits in relation to derivatives dealt on an organised market, premiums paid for the acquisition of options outstanding as well as the commitments arising from derivatives contracted by private agreement may not exceed, in aggregate, 50% of the Net Asset Value of each Fund. The commitment in relation to a transaction on a financial derivative instrument entered into by private agreement by the Funds corresponds to any non-realised loss resulting, at that time, from the relevant transaction.
- (B) A Fund must maintain a reserve of liquid assets in an amount at least equal to the margin deposits made by the Fund. Liquid assets do not only comprise time deposits and regularly negotiated money market instruments the remaining maturity of which is less than 12 months, but also treasury bills and bonds issued by OECD member countries or their local authorities or by supranational institutions and organisations with European, regional or worldwide scope as well as bonds listed on a stock exchange or dealt on a Regulated Market, which operates regularly and is open to the public, issued by first class issuers and being highly liquid.
- (C) A Fund may not hold an open position in a single contract relating to a financial derivative instrument dealt on an organised market or a single contract relating to a financial derivative instrument entered into by private agreement for which the margin required or the commitment taken, respectively, represents 5% or more of the Net Asset Value of the Fund.
- (D) Premiums paid to acquire options outstanding having identical characteristics may not exceed 5% of the Net Asset Value of a Fund.

### **4. Borrowing**

A Fund may borrow permanently and for investment purposes from first class professionals specialised in this type of transaction.

Such borrowings are limited to 200% of the Fund's Net Asset Value. Consequently, the value of the assets of the Fund may not exceed 300% of its net assets. Funds adopting a strategy which presents a high degree of correlation between long and short positions are authorised to borrow up to 400% of their Net Asset Value.

The counterparty risk resulting from the difference between (i) the value of the assets transferred by a Fund to a lender as security in the context of the borrowing transactions and (ii) the debt of the Fund owed to such lender may not exceed 20% of the Fund's assets. A Fund may, in addition, give security by using security arrangements which do not result in a transfer of ownership or which limit the counterparty risk by other means.

The counterparty risk resulting from the sum of (i) the difference between the value of the assets transferred as security in the context of the borrowing of securities and the amounts due under the last paragraph of the section "Short Selling" below and (ii) the difference between the assets transferred as security and the amounts borrowed referred to above may not exceed, in respect of a single lender, 20% of a compartment's assets.

### **5. Securities Lending**

The Funds will not engage in securities or cash lending transactions where the Funds act as the lender of such securities or cash.

### **6. Sale with Right of Repurchase and Repurchase Agreements**

Each Fund will only enter into sale with right of repurchase and repurchase agreements with counterparties which are first class institutions specialising in these types of transactions and which are subject to prudential supervision rules considered by the CSSF as equivalent to that laid down in EU law.

During the duration of a sale with right of repurchase agreement where the Fund acts as purchaser, it may not sell the securities which are the subject of the contract before the counterparty has exercised its right to repurchase the securities or until the deadline for the repurchase has expired, unless the Fund has other means of coverage. If the Fund is open for redemptions, it must ensure that the value of such transactions is kept at a level such that it is at all times able to meet its redemption obligations. The same conditions are applicable in the case of a repurchase agreement on the basis of a purchase and firm re-sale agreement where the Fund acts as purchaser (transferee).

Where the Fund acts as seller (transferor) in a repurchase transaction, the Fund may not, during the whole duration of the agreement, transfer the title to the security under the repo or pledge them to a third party, or repo them a second time, in whatever form. The Fund must at the maturity of the repurchase transactions hold sufficient assets to pay, if appropriate, the agreed upon repurchase price payable to the transferee.

In its financial reports, the Fund must separately, for its sale with right of repurchase transactions and for its repurchase transactions, indicate the total amount of the open transactions at the date as of which the relevant reports indicate are issued.

## 7. Short Selling

Short sales may not result in a Fund holding:

- (A) a short position on transferable securities which are not listed on a stock exchange or dealt on a Regulated Market. However, each Fund may hold short positions on transferable securities which are not quoted and not dealt on a Regulated Market if such securities are highly liquid and do not represent more than 10% of the Fund's Net Asset Value;
- (B) a short position on transferable securities which represent more than 10% of the securities of the same type issued by the same issuer;
- (C) a short position on transferable securities of the same issuer, (i) if the sum of the settling price of the short positions relating thereto represents more than 10% of the Fund's Net Asset Value or (ii) if the short position entails an exposure exceeding 5% of the Fund's Net Asset Value.

The commitments arising from short sales on transferable securities at a given time correspond to the cumulative non-realised losses resulting, at that time, from the short sales made by a Fund. The non-realised loss resulting from a short sale is the positive amount equal to the market price at which the short position can be covered less the price at which the relevant transferable security has been sold short.

The aggregate commitments of a Fund resulting from short sales may at no time exceed 50% of the Fund's Net Asset Value. If a Fund enters into uncovered sales, it must hold sufficient assets enabling it at any time to close the open positions resulting from such short sales.

The short positions of transferable securities for which a Fund holds adequate coverage are not considered for the purpose of calculating the total commitments referred to above. It is to be noted that the fact that a Fund has granted a security, of whatever nature, on its assets to third parties to guarantee its obligations towards such third parties, is not to be considered as adequate coverage for the Fund's commitments, from the point of view of that Fund.

In connection with short sales on transferable securities, a Fund is authorised to enter, as borrower, into securities lending transactions with first class professionals specialised in this type of transaction. The counterparty risk resulting from the difference between (i) the value of the assets transferred by the Fund to a lender as security in the context of the securities lending transactions and (ii) the debt of the Fund owed to such lender may not exceed 20% of the Fund's Net Asset Value. It is to be noted that the Fund may, in addition, grant guarantees in the context of systems of guarantees which do not result in a transfer of ownership or which limit the counterparty risk by other means.

## 8. Risk Management Process

The Management Company will employ a risk management process which enables it with the Investment Manager to monitor and measure at any time the risk of the positions, the use of efficient portfolio management techniques, the management of collateral and their contribution to the overall risk profile of each Fund. The Management Company or the Investment Manager will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

Upon request of an Investor, the Management Company will provide supplementary information relating to the quantitative limits that apply in the risk management of each Fund, to the methods chosen to this end and to the recent evolution of the risks and yields of the main categories of instruments. This supplementary information includes the VaR levels set for the Funds using such risk measure.

The risk management framework is available upon request from the Management Company's registered office.

### Leverage

Leverage Ratio	Exposure Calculation Methodology
'Gross leverage ratio'	<p>The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all derivatives entered into by the Fund in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.</p> <p>Cash and cash equivalent (including cash borrowing that remain in cash or cash equivalent) held in the base currency of the Fund are excluded from the exposure calculation.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>
'Commitment leverage ratio'	<p>The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all derivatives entered into by the Fund in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Fund supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between derivatives that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do.

As a result, a Fund that exhibits a high level of gross leverage is not necessarily riskier than a Fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Fund as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Fund is unleveraged whereas a leverage ratio above 1 indicates the Fund is leveraged.

**Liquidity risk management**

The Management Company has established a liquidity risk process to assess and monitor the liquidity risk profile of a Fund on an on-going basis. This includes a liquidity stress test scenario combining a strong reduction in the market liquidity with large outflows. Due to the lack of publicly available data on trading volumes for fixed income securities, the monitoring relies partly on an internal model to assess market liquidity.

In exceptional circumstances such as market liquidity dislocation and in the best interest of the Fund and its Shareholders, the Management Company has implemented special procedures to defer redemption requests on a temporary basis as further detailed under section 2.4 "Suspensions or Deferrals".

# Appendix II

## Further Investment Restrictions

In addition to the investment restrictions described in Appendix I, a Fund may also be subject to the following investment restrictions in this Appendix II. Additional investment restrictions applicable to each Fund shall be disclosed, as the case may be, in Appendix IV. In case of any discrepancy between the investment restrictions described in Appendix I and those described here below, the investment restrictions set out in Appendix II will prevail.

While ensuring observance of the principle of risk-spreading, newly authorised Funds may derogate from the restrictions under Appendix II for six months following the date of their launch and for two months before their liquidation.

### 1. Investment in Transferable Securities and Liquid Assets

- (A) The Company will invest in:
- (1) transferable securities and money market instruments admitted to or dealt in on a Regulated Market; and/or
  - (2) transferable securities and money market instruments dealt in on another market in a Member State of the EU which is regulated, operated regularly and is recognised and open to the public; and/or
  - (3) transferable securities and money market instruments added to official listing on a stock exchange in a non-Member State of the EU, which is regulated, operated regularly and is recognised and open to the public; and/or
  - (4) recently issued transferable securities and money market instruments, provided that
    - (I) the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or on another Regulated Market which operates regularly, is recognised and open to the public and
    - (II) such admission is secured within one year of the issue; and/or
  - (5) units of UCITS and/or of other UCI, whether situated in an EU member state or not, provided that:
    - (I) such other UCIs have been authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in EU law, and that cooperation between authorities is sufficiently ensured,
    - (II) the level of protection for Shareholders in such other UCIs is equivalent to that provided for Shareholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive,
    - (III) the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,
    - (IV) no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs; and/or
  - (6) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is an EU member state or, if the registered office of the credit institution is situated in a non-EU member state, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law; and/or
  - (7) derivatives, including equivalent cash-settled instruments, dealt on a Regulated Market, and/or derivatives dealt over-the-counter, provided that:
    - (I) the underlying consists of securities covered by this section 1(A), financial indices, interest rates, foreign exchange rates or currencies, in which the Funds may invest according to their investment objective;

- (II) the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF;
  - (III) the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative; and/or
- (8) money market instruments other than those dealt in on a Regulated Market, if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting Investors and savings, and provided that such instruments are:
- (I) issued or guaranteed by a central, regional or local authority or by a central bank of an EU member state, the European Central Bank, the EU or the European Investment Bank, a non-EU member state or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU member states belong, or
  - (II) issued by an undertaking any securities of which are dealt in on Regulated Markets, or
  - (III) issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined in EU Law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least stringent as those laid down by EU law, or
  - (IV) issued by other bodies belonging to categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least EUR 10,000,000 and which presents and publishes its annual accounts in accordance with the fourth Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- (9) In addition, the Company may invest a maximum of 10% of the Net Asset Value of any Fund in transferable securities or money market instruments other than those referred to in (A) (1) to (A) (4) and (A) (8) above.
- (B) Each Fund may hold ancillary liquid assets. Liquid assets used to back-up financial derivative exposure are not considered as ancillary liquid assets.
- (C) (1) Each Fund may invest no more than 10% of its Net Asset Value in transferable securities or money market instruments issued by the same issuing body (and in case of credit-linked securities both the issuer of the credit-linked securities and the issuer of the underlying securities). Each Fund may not invest more than 20% of its net assets in deposits made with the same body. The risk exposure to a counterparty of a Fund in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in paragraph 1(A)(6) above or 5% of its net assets in other cases.
- (2) Furthermore, where any Fund holds investments in transferable securities and money market instruments of any issuing body which individually exceed 5% of the Net Asset Value of such Fund, the total value of all such investments must not account for more than 40% of the Net Asset Value of such Fund.
- This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.
- Notwithstanding the individual limits laid down in paragraph (C)(1), a Fund may not combine:
- investments in transferable securities or money market instruments issued by,
  - deposits made with, and/or

- exposures arising from OTC derivative transactions undertaken with a single body in excess of 20% of its net assets.

- (3) The limit of 10% laid down in paragraph (C)(1) above shall be 35% in respect of transferable securities or money market instruments which are issued or guaranteed by an EU member state, its local authorities or by an Eligible State or by public international bodies of which one or more EU member states are members.
- (4) The limit of 10% laid down in paragraph (C)(1) above shall be 25% in respect of debt securities which are issued by credit institutions having their registered office in an EU member state and which are subject by law to a special public supervision for the purpose of protecting the holders of such debt securities, provided that the amount resulting from the issue of such debt securities are invested, pursuant to applicable provisions of the law, in assets which are sufficient to cover the liabilities arising from such debt securities during the whole period of validity thereof and which are assigned to the preferential repayment of capital and accrued interest in the case of a default by such issuer.

If a Fund invests more than 5% of its assets in the debt securities referred to in the sub-paragraph above and issued by one issuer, the total value of such investments may not exceed 80% of the value of the assets of such Fund.

- (5) The transferable securities and money market instruments referred to in paragraphs (C)(3) and (C)(4) are not included in the calculation of the limit of 40% referred to in paragraph (C)(2).

The limits set out in paragraphs (C)(1), (C)(2), (C)(3) and (C)(4) above may not be aggregated and, accordingly, the value of investments in transferable securities and money market instruments issued by the same body, in deposits or derivatives made with this body, effected in accordance with paragraphs (C)(1), (C)(2), (C)(3) and (C)(4) may not, in any event, exceed a total of 35% of each Fund's Net Asset Value.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with the Directive or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph (C).

A Fund may cumulatively invest up to 20% of its net assets in transferable securities and money market instruments within the same group.

- (6) Without prejudice to the limits laid down in paragraph (D), the limits laid down in this paragraph (C) shall be 20% for investments in shares and/or bonds issued by the same body when the aim of a Fund's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the CSSF, provided
- the composition of the index is sufficiently diversified,
  - the index represents an adequate benchmark for the market to which it refers,
  - it is published in an appropriate manner.

The limit laid down in the sub-paragraph above is raised to 35% where it proves to be justified by exceptional market conditions in particular in Regulated Markets where certain transferable securities or money market instruments are highly dominant provided that investment up to 35% is only permitted for a single issuer.

- (7) Where any Fund has invested in accordance with the principle of risk spreading in transferable securities or money market instruments issued or guaranteed by an EU member state, by its local authorities or by an Eligible State or by public international bodies of which one or more EU member states are members, the Company may invest 100% of the Net Asset Value of any Fund in such securities provided that such Fund must hold securities from at least six different issues and the value of securities from any one issue must not account for more than 30% of the Net Asset Value of the Fund.**

Subject to having due regard to the principle of risk spreading, a Fund need not comply with the limits set out in this paragraph (C) for a period of 6 months following the date of its authorisation.

- (D) (1) The Company may not normally acquire shares carrying voting rights which would enable the Company to exercise significant influence over the management of the issuing body.
- (2) Each Fund may acquire no more than (a) 10% of the non-voting shares of any single issuing body, (b) 10% of the value of debt securities of any single issuing body, (c) 10% of the money market instruments of the same issuing body, and/or (d) 25% of the units of a fund of the same UCITS or other UCI. However, the limits laid down in (b), (c) and (d) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments or the net amount of securities in issue cannot be calculated.

The limits set out in paragraph (D)(1) and (2) above shall not apply to:

- (1) transferable securities and money market instruments issued or guaranteed by an EU member state or its local authorities;
  - (2) transferable securities and money market instruments issued or guaranteed by any other Eligible State;
  - (3) transferable securities and money market instruments issued by public international bodies of which one or more EU member states are members; or
  - (4) shares held in the capital of a company incorporated in a non-EU member state which invests its assets mainly in the securities of issuing bodies having their registered office in that state where, under the legislation of that state, such holding represents the only way in which such Fund's assets may invest in the securities of the issuing bodies of that state, provided, however, that such company in its investment policy complies with the limits laid down in Articles 43, 46 and 48 (1) and (2) of the Law.
- (E) No Fund may invest more than 10% of its net assets in units of UCITS or other UCIs. In addition, the following limits shall apply:
- (1) If a Fund is allowed to invest more than 10% of its net assets in units of UCITS and/or UCIs, this Fund may not invest more than 20% of its net assets in units of a single UCITS or other UCI.  
Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net asset of a Fund.
  - (2) When a Fund invests in the units of other UCITS and/or other UCIs linked to the Company by common management or control, or by a direct or indirect holding of more than 10% of the capital or the voting rights, or managed by a management company linked to the Investment Manager, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or UCIs.  
In respect of a Fund's investments in UCITS and other UCIs linked to the Company as described in the preceding paragraph, the total management fee (excluding any performance fee, if any) charged to such Fund and each of the UCITS or other UCIs concerned shall not exceed 3.75% of the relevant net assets under management. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the UCITS and other UCIs in which such Fund has invested during the relevant period.
  - (3) Each Fund may acquire no more than 25% of the units of the same UCITS and/or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple sub-funds, this restriction is applicable by reference to all units issued by the UCITS/UCI concerned, all sub-funds combined.
  - (4) The underlying investments held by the UCITS or other UCIs in which the Funds invest do not have to be considered for the purpose of the investment restrictions set forth under section 1(C) above.



## 2. Investment in Other Assets

- (A) The Company will not make investments in precious metals, commodities or certificates representing these. This does not prevent the Company from gaining exposure to precious metals or commodities by investing into financial instruments backed by precious metals or commodities or financial instruments whose performance is linked to commodities.
- (B) The Company will not purchase or sell real estate or any option, right or interest therein, provided the Company may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
- (C) The Company may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments referred to in sections 1(A)(5), (7) and (8).
- (D) The Company may not borrow for the account of any Fund, other than amounts which do not in aggregate exceed 10% of the Net Asset Value of the Fund, and then only as a temporary measure. For the purpose of this restriction back to back loans and commitments resulting from the short sales of transferrable securities are not considered to be borrowings.
- (E) The Company will not mortgage, pledge, hypothecate or otherwise encumber as security for indebtedness any securities held for the account of any Fund, except as may be necessary in connection with the borrowings mentioned in paragraph (D) above, and then such mortgaging, pledging, or hypothecating may not exceed 10% of the Net Asset Value of each Fund. In connection with swap transactions, option and forward exchange or futures transactions the deposit of securities or other assets in a separate account shall not be considered a mortgage, pledge or hypothecation for this purpose.
- (F) The Company will on a Fund by Fund basis comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are marketed.

## 3. Derivatives

As specified in section 1(A)(7) above, the Company may in respect of each Fund invest in derivatives, including but not limited to those described in more detail below.

For Funds using the commitment approach detailed below, the Company shall ensure that the global exposure of each Fund relating to derivatives does not exceed the total net assets of that Fund. The Fund's overall risk exposure shall consequently not exceed 200% of its total net assets. In addition, this overall risk exposure may not be increased by more than 10% by means of temporary borrowings (as referred to in section 2(D) above) so that it may not exceed 210% of any Fund's total net assets under any circumstances.

The global exposure relating to derivatives is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the following sub-paragraphs.

Each Fund may invest, as a part of its investment policy and within the limits laid down in section 1(A)(7) and section 1(C)(5), in derivatives provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in sections 1(C)(1) to (6). When a Fund invests in index-based derivatives, these investments do not have to be combined with the limits laid down in section 1(C). When a transferable security or money market instrument embeds a financial derivative instrument, the latter must be taken into account when complying with the requirements of these restrictions. When a Fund invests in diversified indices within the limits laid down in section 1(A)(7), the exposure to the individual indices will comply with the limits laid down in section 1(C)(6). When a Fund invests in eligible non-diversified indices, the exposure to the individual indices will comply with the 5/10/40% ratios rules laid down in sections 1(C)(1) and (2). Transferable securities or money market instruments backed by other assets are not deemed to embed a financial derivative instrument.

The Funds may use derivatives for investment purposes and for hedging purposes, within the limits of the Regulations. Under no circumstances shall the use of these instruments and techniques cause a Fund to diverge from its investment policy or objective. The risks against which the Funds could be hedged may be, for instance, market risk, foreign exchange risk, interest rates risk, credit risk, volatility or inflation risks.

Each Fund may invest in derivatives that are traded OTC including, without limitation, total return swaps, contracts for difference or other derivatives with similar characteristics, in accordance with the conditions set out in Appendix I and the investment objective and policy of each Fund. Such OTC derivatives shall be safekept by the Depositary.

A total return swap is an agreement in which one party (total return payer) transfers the total economic performance of a reference obligation to the other party (total return receiver). Total economic performance includes income from interest and fees, gains or losses from market movements, and credit losses.

Total return swaps entered into by a Fund may be in the form of funded and/or unfunded swaps. An unfunded swap means a swap where no upfront payment is made by the total return receiver at inception. A funded swap means a swap where the total return receiver pays an upfront amount in return for the total return of the reference asset and can therefore be costlier due to the upfront payment requirement.

All revenue arising from total return swaps, net of direct and indirect operational costs and fees, will be returned to each Fund.

#### **Agreements on OTC Derivatives**

A Fund may enter into agreements on OTC derivatives. The counterparties to any OTC financial derivative transactions, such as total return swaps, contracts for difference or other derivatives with similar characteristics, entered into by a Fund, are selected from a list of counterparties approved by the Management Company. The counterparties will be institutions which are either credit institutions with a registered office in an EU member state or investment firms, which are authorised under the MiFID directive or an equivalent set of rules or are recognised financial institutions and subject to prudential supervision, with, at trade inception, a rating of at least BBB/Baa2 or its equivalent for global or domestic Systemically Important Financial Institutions (SIFI) or at least A- or its equivalent if not SIFI. The counterparties will have no discretion over the composition or management of the relevant Fund's portfolio or over the underlying of the derivatives. The list of approved counterparties may be amended by the Management Company. The identity of the counterparties will be disclosed in the annual report of the Company.

## **4. Management of Collateral**

The risk exposures to a counterparty arising from OTC financial derivative transactions and efficient portfolio management techniques shall be combined when calculating the counterparty risk limits provided for in section 1(C) above.

Collateral received for the benefit of a Fund may be used to reduce its counterparty risk exposure if it complies with the conditions set out in applicable laws and regulations. Where a Fund enters into OTC financial derivative transactions and efficient portfolio management techniques, all collateral used to reduce counterparty risk exposure shall comply with the following criteria at all times:

- (A) Any collateral received other than cash shall be of high quality, highly liquid and traded on a Regulated Market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received shall also comply with the provisions in section 1(D) above.
- (B) Collateral received shall be valued in accordance with the rules described under the section "Calculation of Net Asset Value" on at least a daily basis. Assets that exhibit high price volatility shall not be accepted as collateral unless suitably conservative haircuts are in place.
- (C) Collateral received shall be of high quality.
- (D) The collateral received shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- (E) Collateral shall be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the Fund receives from a counterparty of efficient portfolio management and over-the-counter financial derivative transactions a basket of collateral with a maximum exposure to a given issuer of 20% of its Net Asset Value. When a Fund is exposed to different counterparties, the different baskets of collateral shall be aggregated to calculate the 20% limit of exposure to a single issuer. By way of derogation, a Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a

Member State, one or more of its local authorities, Eligible State or a public international body to which one or more of its local Member States belong. In that case the Fund must receive securities from at least six different issues, but securities from any single issue shall not account for more than 30% of the Net Asset Value of the Fund.

- (F) Where there is a title transfer, the collateral received shall be held by the Depositary or one of its Correspondents to which the Depositary has delegated the custody of such collateral. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- (G) Collateral received shall be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty, and where applicable, collateral received should also comply with the control limits set out in this section.
- (H) Subject to the above conditions, permitted forms of collateral include:
  - (1) cash and cash equivalents, including short-term bank certificates and money market instruments;
  - (2) government bonds with any maturity issued by countries including but not limited to the UK, the United States, France and Germany with no minimum rating.

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate haircuts which will be determined for each asset class based on the haircut policy adopted by the Management Company.

- (A) Non-cash collateral received shall not be sold, re-invested or pledged.
- (B) Cash collateral that isn't received on behalf of currency hedged Share Classes shall only be:
  - (1) placed on deposit with entities as prescribed in section 1(A)(6) above;
  - (2) invested in high-quality government bonds;
  - (3) used for the purpose of reverse repurchase transactions provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on accrued basis;
  - (4) invested in short-term money market funds as defined in the "Guidelines on a Common Definition of European Money Market Funds".

Re-invested cash collateral shall be diversified in accordance with the diversification requirements applicable to non-cash collateral as set out above. Re-investment of cash collateral involves certain risks for a Fund, as described in Appendix III.21.

### Collateral Policy

Collateral received by the Fund shall predominantly be limited to cash and government bonds.

### Haircut Policy

The following haircuts for collateral in OTC transactions are applied by the Management Company (the Management Company reserves the right to vary this policy at any time):

Eligible Collateral	Remaining Maturity	Valuation Percentage
Cash	N/A	100%
Government Bonds	One year or under	98%
	More than one year up to and including five years	97%

Eligible Collateral	Remaining Maturity	Valuation Percentage
	More than five years up to and including ten years	95%
	More than ten years up to and including thirty years	93%
	More than thirty years up to and including forty years	90%
	More than forty years up to and including fifty years	87%

# Appendix III

## Risks of Investment

### 1. General Risks

Past performance is not a guide to future performance and Shares, other than Shares of liquidity Funds, if any, should be regarded as a medium to long-term investment. The value of investments and the income generated by them may go down as well as up and Shareholders may not get back the amount originally invested. Where the Fund Currency varies from the Investor's home currency, or where the Fund Currency varies from the currencies of the markets in which the Fund invests, there is the prospect of additional loss (or the prospect of additional gain) to the Investor greater than the usual risks of investment, even if currency hedging is employed.

### 2. Investment Objective Risk

Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult or even impossible to achieve. There is no express or implied assurance as to the likelihood of achieving the investment objective for a Fund.

### 3. Regulatory Risk

The Company is domiciled in Luxembourg and Investors should note that all the regulatory protections provided by their local regulatory authorities may not apply. Additionally the Funds will be registered in non-EU jurisdictions. As a result of such registrations the Funds may be subject, without any notice to the Shareholders in the Funds concerned, to more restrictive regulatory regimes. In such cases the Funds will abide by these more restrictive requirements. This may prevent the Funds from making the fullest possible use of the investment limits.

### 4. Business, Legal and Tax Risks

In some jurisdictions the interpretation and implementation of laws and regulations and the enforcement of shareholders' rights under such laws and regulations may involve significant uncertainties. Furthermore, there may be differences between accounting and auditing standards, reporting practices and disclosure requirements and those generally accepted internationally. Some of the Funds may be subject to withholding and other taxes. Tax law and regulations of any jurisdiction are frequently reviewed and may be changed at any time, in certain cases with retrospective effect. The interpretation and applicability of tax law and regulations by tax authorities in some jurisdictions are not consistent and transparent and may vary from jurisdiction to jurisdiction and/or region to region. Any change in taxation legislation could affect the value of the investments held by and the performance of the Fund.

### 5. Risk Factors Relating to Industry Sectors / Geographic Areas

Funds that focus on a particular industry or geographic area are subject to the risk factors and market factors which affect this particular industry or geographic area, including legislative changes, changes in general economic conditions and increased competitive forces. This may result in a greater volatility of the Net Asset Value of the Shares of the relevant Fund. Additional risks may include greater social and political uncertainty and instability; and natural disasters.

### 6. Concentration of Investments Risks

Although it will be the policy of the Company to diversify its investment portfolio, a Fund may at certain times hold relatively few investments. The Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

### 7. Risk of Suspension of Share Dealings

Investors are reminded that in certain circumstances their right to redeem or switch Shares may be suspended (see section 2.5, "Suspensions or Deferrals").

### 8. Interest Rate Risk

The values of bonds and other debt instruments usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the values of existing debt instruments, and rising interest rates generally reduce the value of existing debt instruments. Interest rate risk is generally greater for investments with long durations or maturities. Some investments give the issuer the option to call or redeem an investment before its maturity date. If an issuer calls or redeems an investment during a time of declining interest rates, a Fund might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates.

## 9. Credit Risk

The ability, or perceived ability, of an issuer of a debt security to make timely payments of interest and principal on the security will affect the value of the security. It is possible that the ability of the issuer to meet its obligation will decline substantially during the period when a Fund owns securities of that issuer, or that the issuer will default on its obligations. An actual or perceived deterioration in the ability of an issuer to meet its obligations will likely have an adverse effect on the value of the issuer's securities.

If a security has been rated by more than one nationally recognised statistical rating organisation the Fund's Investment Manager may consider the highest rating for the purposes of determining whether the security is investment grade. A Fund will not necessarily dispose of a security held by it if its rating falls below investment grade, although the Fund's Investment Manager will consider whether the security continues to be an appropriate investment for the Fund. A Fund's Investment Manager considers whether a security is investment grade only at the time of purchase. Some of the Funds will invest in securities which will not be rated by a nationally recognised statistical rating organisation, but the credit quality will be determined by the Investment Manager.

Credit risk is generally greater for investments issued at less than their face values and required to make interest payments only at maturity rather than at intervals during the life of the investment. Credit rating agencies base their ratings largely on the issuer's historical financial condition and the rating agencies' investment analysis at the time of rating. The rating assigned to any particular investment does not necessarily reflect the issuer's current financial condition, and does not reflect an assessment of an investment's volatility and liquidity. Although investment grade investments generally have lower credit risk than investments rated below investment grade, they may share some of the risks of lower-rated investments, including the possibility that the issuers may be unable to make timely payments of interest and principal and thus default.

## 10. Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell. A Fund's investment in illiquid securities may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price. Investments in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and difficult to value.

## 11. Inflation/Deflation Risk

Inflation is the risk that a Fund's assets or income from a Fund's investments may be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of a Fund's portfolio could decline. Deflation risk is the risk that prices throughout the economy may decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a Fund's portfolio.

## 12. Derivatives Risk

For a Fund that uses derivatives to meet its specific investment objective, there is no guarantee that the performance of the derivatives will result in a positive effect for the Fund and its Shareholders.

Each Fund may incur costs and fees in connection with total return swaps, contracts for difference or other derivatives with similar characteristics, upon entering into these instruments and/or any increase or decrease of their notional amount. The amount of these fees may be fixed or variable. Information on costs and fees incurred by each Fund in this respect, as well as the identity of the recipients and any affiliation they may have with the Depositary, the Investment Manager or the Management Company, if applicable, may be available in the annual report.

## 13. Warrants Risk

When a Fund invests in warrants, the price, performance and liquidity of such warrants are typically linked to the underlying stock. However, the price, performance and liquidity of such warrants will generally fluctuate more than the underlying securities because of the greater volatility of the warrants market. In addition to the market risk related to the volatility of warrants, a Fund investing in synthetic warrants, where the issuer of the synthetic warrant is different to that of the underlying stock, is subject to the risk that the issuer of the synthetic warrant will not perform its obligations under the transactions which may result in the Fund, and ultimately its Shareholders, suffering a loss.

## 14. Credit Default Swap Risk

A credit default swap allows the transfer of default risk. This allows a Fund to effectively buy insurance on a reference obligation it holds (hedging the investment), or buy protection on a reference obligation it does not physically own in the expectation that the credit will decline in quality. One party, the protection buyer, makes a stream of payments to the seller of the protection, and a payment is due to the buyer if there is a credit event (a decline in credit quality, which will be predefined in the agreement between the parties). If the credit event does not occur the buyer pays all the required premiums and the swap terminates on maturity with no further payments. The risk of the buyer is therefore limited to the value of the premiums paid. In addition, if there is a credit event and the Fund does not hold the underlying reference obligation, there may be a market risk as the Fund may need time to obtain the reference obligation and deliver it to the counterparty. Furthermore, if the counterparty becomes insolvent, the Fund may not recover the full amount due to it from the counterparty. The market for credit default swaps may sometimes be more illiquid than the bond markets. The Company will mitigate this risk by monitoring in an appropriate manner the use of this type of transaction.

## 15. Futures, Options and Forward Transactions Risk

A Fund may use options, futures and forward contracts on currencies, securities, indices, volatility, inflation and interest rates for hedging and investment purposes.

Transactions in futures may carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the Fund. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options may also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the Fund is fixed, the Fund may sustain a loss well in excess of that amount. The Fund will also be exposed to the risk of the purchaser exercising the option and the Fund will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the Fund holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

Forward transactions and purchasing options, in particular those traded over-the-counter and not cleared through a central counterparty, have an increased counterparty risk. If a counterparty defaults, the Fund may not get the expected payment or delivery of assets. This may result in the loss of the unrealised profit.

## 16. Credit Linked Note Risk

A credit linked note is a debt instrument which assumes both credit risk of the relevant reference entity (or entities) and the issuer of the credit linked note. There is also a risk associated with the coupon payment; if a reference entity in a basket of credit linked notes suffers a credit event, the coupon will be re-set and is paid on the reduced nominal amount. Both the residual capital and coupon are exposed to further credit events. In extreme cases, the entire capital may be lost. There is also the risk that a note issuer may default.

## 17. Equity Linked Note Risk

The return component of an equity linked note is based on the performance of a single security, a basket of securities or an equity index. Investment in these instruments may cause a capital loss if the value of the underlying security decreases. In extreme cases the entire capital may be lost. These risks are also found in investing in equity investments directly. The return payable for the note is determined at a specified time on a valuation date, irrespective of the fluctuations in the underlying stock price. There is no guarantee that a return or yield on an investment will be made. There is also the risk that a note issuer may default.

A Fund may use equity linked notes to gain access to certain markets, for example emerging and less developed markets, where direct investment is not possible. This approach may result in the following additional risks being incurred – lack of a secondary market in such instruments, illiquidity of the underlying securities, and difficulty selling these instruments at times when the underlying markets are closed.

## 18. Insurance Linked Securities Risk

Insurance linked securities may incur severe or full losses as a result of insurance events such as natural, man-made or other catastrophes. Catastrophes can be caused by various events, including, but not limited to, hurricanes, earthquakes, typhoons, hailstorms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation accidents, fires, explosions and marine accidents. The incidence and severity of such catastrophes are inherently unpredictable, and the Fund's losses from such catastrophes could be material. Any climatic or other event which might result in an increase in the likelihood and/or severity of such events (for example, global warming leading to more frequent and violent hurricanes) could have a material adverse effect on the Fund. Although a Fund's exposure to such events will be diversified in accordance with its investment objective, a single catastrophic event could affect multiple geographic zones and lines of business or the frequency or severity of catastrophic events could exceed expectations, either of which could have a material adverse effect on the Fund's Net Asset Value.

## 19. General Risk associated with OTC Transactions

Instruments traded in OTC markets may trade in smaller volumes, and their prices may be more volatile than instruments principally traded on exchanges. Such instruments may be less liquid than more widely traded instruments. In addition, the prices of such instruments may include an undisclosed dealer mark-up which a Fund may pay as part of the purchase price.

In general, there is less government regulation and supervision of transactions in OTC markets than of transactions entered into on organised exchanges. OTC derivatives are executed directly with the counterparty rather than through a recognised exchange and clearing house. Counterparties to OTC derivatives are not afforded the same protections as may apply to those trading on recognised exchanges, such as the performance guarantee of a clearing house.

The principal risk when engaging in OTC derivatives (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a Fund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not bona fide) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Fund. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to the Fund.

A Fund may enter into OTC derivatives cleared through a clearinghouse that serves as a central counterparty. Central clearing is designed to reduce counterparty risk and increase liquidity compared to bilaterally-cleared OTC derivatives, but it does not eliminate those risks completely. The central counterparty will require margin from the clearing broker which will in turn require margin from the Fund. There is a risk of loss by a Fund of its initial and variation margin deposits in the event of default of the clearing broker with which the Fund has an open position or if margin is not identified and correctly reported to the particular Fund, in particular where margin is held in an omnibus account maintained by the clearing broker with the central counterparty. In the event that the clearing broker becomes insolvent, the Fund may not be able to transfer or "port" its positions to another clearing broker.

EU Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation, or "EMIR"), which came into force on 16 August 2012, introduces uniform requirements in respect of OTC derivative transactions by requiring certain "eligible" OTC derivatives transactions to be submitted for clearing to regulated central clearing counterparties and by mandating the reporting of certain details of derivatives transactions to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty credit risk in respect of OTC derivatives contracts which are not subject to mandatory clearing. These requirements include the exchange of margin and, where initial margin is exchanged, its segregation by the parties, including by the Company.

While many of the obligations under EMIR have come into force, as at the date of this Prospectus the requirement to submit certain OTC derivative transactions to central clearing counterparties ("CCPs") and the margin requirements for non-cleared OTC



derivative transactions are subject to a staggered implementation timeline. It is not yet fully clear how the OTC derivatives market will adapt to the new regulatory regime. Accordingly, it is difficult to predict the full impact of EMIR on the Company, which may include an increase in the overall costs of entering into and maintaining OTC derivatives contracts. Prospective Investors and Shareholders should be aware that the regulatory changes arising from EMIR and other similar regulations such as the Dodd-Frank Wall Street Reform and Consumer Protection Act may in due course adversely affect a Fund's ability to adhere to its investment policy and achieve its investment objective.

Investors should be aware that the regulatory changes arising from EMIR and other applicable laws requiring central clearing of OTC derivatives may in due course adversely affect the ability of the Funds to adhere to their respective investment policies and achieve their investment objective.

Investments in OTC derivatives may be subject to the risk of differing valuations arising out of different permitted valuation methods. Although the Company has implemented appropriate valuation procedures to determine and verify the value of OTC derivatives, certain transactions are complex and valuation may only be provided by a limited number of market participants who may also be acting as the counterparty to the transactions. Inaccurate valuation can result in inaccurate recognition of gains or losses and counterparty exposure.

Unlike exchange-traded derivatives, which are standardised with respect to their terms and conditions, OTC derivatives are generally established through negotiation with the other party to the instrument. While this type of arrangement allows greater flexibility to tailor the instrument to the needs of the parties, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if the agreement is deemed not to be legally enforceable or not documented correctly. There also may be a legal or documentation risk that the parties may disagree as to the proper interpretation of the terms of the agreement. However, these risks are generally mitigated, to a certain extent, by the use of industry-standard agreements such as those published by the International Swaps and Derivatives Association (ISDA).

## 20. Counterparty Risk

The Company conducts transactions through or with brokers, clearing houses, market counterparties and other agents. The Company will be subject to the risk of the inability of any such counterparty to perform its obligations, whether due to insolvency, bankruptcy or other causes.

A Fund may invest in instruments such as notes, bonds or warrants the performance of which is linked to a market or investment to which the Fund seeks to be exposed. Such instruments are issued by a range of counterparties and through its investment the Fund will be subject to the counterparty risk of the issuer, in addition to the investment exposure it seeks.

The Funds will only enter into OTC derivatives transactions, including swap agreements, with first class institutions which are subject to prudential supervision and specialising in these types of transactions. In principle, the counterparty risk for such derivative transactions entered into with first class institutions should not exceed 10% of the relevant Fund's net assets when the counterparty is a credit institution or 5% of its net assets in other cases. However, if a counterparty defaults, the actual losses may exceed these limitations.

## 21. Specific Risk relating to Collateral Management

Counterparty risk arising from investments in OTC derivatives and securities lending transactions, repurchase agreements and buy-sell back transactions is generally mitigated by the transfer or pledge of collateral in favour of a Fund. However, transactions may not be fully collateralised. Fees and returns due to the Fund may not be collateralised. If a counterparty defaults, the Fund may need to sell non-cash collateral received at prevailing market prices. In such a case the Fund could realise a loss due, inter alia, to inaccurate pricing or monitoring of the collateral, adverse market movements, deterioration in the credit rating of issuers of the collateral or illiquidity of the market on which the collateral is traded. Difficulties in selling collateral may delay or restrict the ability of the Fund to meet redemption requests.

A Fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Fund to the counterparty as required by the terms of the transaction. The

Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Fund.

## 22. OTC Derivative Clearing Risk

A Fund's OTC derivative transactions may be cleared prior to the date on which the mandatory clearing obligation takes effect under EMIR in order to take advantage of pricing and other potential benefits. OTC derivative transactions may be cleared under the "agency" model or the "principal-to-principal" model. Under the principal-to-principal model there is usually one transaction between the Fund and its clearing broker and another back-to-back transaction between the clearing broker and the CCP whereas under the agency model there is one transaction between the Fund and the CCP. It is expected that many of a Fund's OTC derivative transactions which are cleared will be under the "principal-to-principal" model. However, the following risks are relevant to both models unless otherwise specified.

The CCP will require margin from the clearing broker which will in turn require margin from the Fund. The Fund's assets posted as margin will be held in an account maintained by the clearing broker with the CCP. Such account may contain assets of other clients of the clearing broker (an "omnibus account") and if so, in the event of a shortfall, the assets of the Fund transferred as margin may be used to cover losses relating to such other clients of the clearing broker upon a clearing broker or CCP default.

The margin provided to the clearing broker by the Fund may exceed the margin that the clearing broker is required to provide to the CCP, particularly where an omnibus account is used. The Fund will be exposed to the clearing broker in respect of any margin which has been posted to the clearing broker but not posted to and recorded in an account with the CCP. In the event of the insolvency or failure of the clearing broker, the Fund's assets posted as margin may not be as well protected as if they had been recorded in an account with the CCP.

The Fund will be exposed to the risk that margin is not identified to the particular Fund while it is in transit from the Fund's account to the clearing broker's account and onwards from the clearing broker's account to the CCP. Such margin could, prior to its settlement, be used to offset the positions of another client of the clearing broker in the event of a clearing broker or CCP default.

A CCP's ability to identify assets attributable to a particular client in an omnibus account is reliant on the correct reporting of such client's positions and margin by the relevant clearing broker to that CCP. The Fund is therefore subject to the operational risk that the clearing broker does not correctly report such positions and margin to the CCP. In such event, margin transferred by the Fund in an omnibus account could be used to offset the positions of another client of the clearing broker in that omnibus account in the event of a clearing broker or CCP default.

In the event that the clearing broker becomes insolvent, the Fund may be able to transfer or "port" its positions to another clearing broker. Porting will not always be achievable. In particular, under the principal-to-principal model, where the Fund's positions are within an omnibus account, the ability of the Fund to port its positions is dependent on the timely agreement of all other parties whose positions are in that omnibus account and so porting may not be achieved. Where porting is not achieved, the Fund's positions may be liquidated and the value given to such positions by the CCP may be lower than the full value attributed to them by the Fund. Additionally, there may be a considerable delay in the return of any net sum due to the Fund while insolvency proceedings in respect of the clearing broker are ongoing.

If a CCP becomes insolvent, subject to administration or an equivalent proceeding or otherwise fails to perform, the Fund is unlikely to have a direct claim against the CCP and any claim will be made by the clearing broker. The rights of a clearing broker against the CCP will depend on the law of the country in which the CCP is established and other optional protections the CCP may offer, such as the use of a third party custodian to hold the Fund's margin. On the failure of a CCP, it is likely to be difficult or impossible for positions to be ported to another CCP and so transactions will likely be terminated. In such circumstances, it is likely that the clearing broker will only recover a percentage of the value of such transactions and consequently the amount the Fund will recover from the clearing broker will be similarly limited. The steps, timing, level of control and risks relating to that process will depend on the CCP, its rules and the relevant insolvency law. However, it is likely that there will be material delay and uncertainty around when and how much assets or cash, if any, the clearing broker will receive back from the CCP and consequently the amount the Fund will receive from the clearing broker.

## 23. Depositary Risk

Assets of the Company are safe kept by the Depositary and Investors are exposed to the risk of the Depositary not being able to fully meet its obligation to reconstitute in a short time frame all of the assets of the Company in the case of bankruptcy of the Depositary. The assets of the Company will be identified in the Depositary's books as belonging to the Company. Securities held by the Depositary will be segregated from other assets of the Depositary which mitigates but does not exclude the risk of non restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non restitution in case of bankruptcy. The Depositary does not keep all the assets of the Company itself but uses a network of Correspondents which are not part of the same group of companies as the Depositary. Investors are exposed to the risk of bankruptcy of the Correspondents where the obligation of the Depositary to replace the assets held by that Correspondent is not triggered or where the Depositary is also bankrupt.

A Fund may invest in markets where custodial and/or settlement systems are not fully developed. The assets of the Fund that are traded in such markets and which have been entrusted to such Correspondents may be exposed to risk in circumstances where the Depositary will have no liability.

## 24. Smaller Companies Risk

A Fund which invests in smaller companies may fluctuate in value more than other Funds. Smaller companies may offer greater opportunities for capital appreciation than larger companies, but may also involve certain special risks. They are more likely than larger companies to have limited product lines, markets or financial resources, or to depend on a small, inexperienced management group. Securities of smaller companies may, especially during periods where markets are falling, become less liquid and experience short-term price volatility and wide spreads between dealing prices. They may also trade in the OTC market or on a regional exchange, or may otherwise have limited liquidity. Consequently investments in smaller companies may be more vulnerable to adverse developments than those in larger companies and the Fund may have more difficulty establishing or closing out its securities positions in smaller companies at prevailing market prices. Also, there may be less publicly available information about smaller companies or less market interest in the securities, and it may take longer for the prices of the securities to reflect the full value of the issuers' earning potential or assets.

## 25. Technology Related Companies Risk

Investments in the technology sector may present a greater risk and a higher volatility than investments in a broader range of securities covering different economic sectors. The equity securities of the companies in which a Fund may invest are likely to be affected by world-wide scientific or technological developments, and their products or services may rapidly fall into obsolescence. In addition, some of these companies offer products or services that are subject to governmental regulation and may, therefore, be adversely affected by governmental policies. As a result, the investments made by a Fund may drop sharply in value in response to market, research or regulatory setbacks.

## 26. Lower Rated, Higher Yielding Debt Securities Risk

A Fund may invest in lower rated, higher yielding debt securities, which are subject to greater market and credit risks than higher rated securities. Generally, lower rated securities pay higher yields than more highly rated securities to compensate investors for the higher risk. The lower ratings of such securities reflect the greater possibility that adverse changes in the financial condition of the issuer, or rising interest rates, may impair the ability of the issuer to make payments to holders of the securities. Accordingly, an investment in such a Fund is accompanied by a higher degree of credit risk than is present with investments in higher rated, lower yielding securities.

## 27. Property and Real Estate Companies Securities Risk

The risks associated with investments in securities of companies principally engaged in the real estate industry include: the cyclical nature of real estate values; risks related to general and local economic conditions; overbuilding and increased competition; increases in property taxes and operating expenses; demographic trends and variations in rental income; changes in zoning laws; casualty or condemnation losses; environmental risks; regulatory limitations on rents; changes in neighbourhood values; related party risks; changes in the appeal of properties to tenants; increases in interest rates; and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of the Fund's investments.

The real estate market has, at certain times, not performed in the same manner as equity and bond markets. As the real estate market frequently performs, positively or negatively and without any correlation to the equity or bond markets, these investments may affect the performance of the Fund either in a positive or a negative manner.

## **28. Mortgage Related and Other Asset Backed Securities Risks**

Mortgage-backed securities, including collateralised mortgage obligations and certain stripped mortgage-backed securities represent a participation in, or are secured by, mortgage loans. Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include such items as motor vehicles instalment sales or instalment loan contracts, leases of various types of real and personal property and receivables from credit card agreements.

Traditional debt investments typically pay a fixed rate of interest until maturity, when the entire principal amount is due. By contrast, payments on mortgage-backed and many asset-backed investments typically include both interest and partial payment of principal. Principal may also be prepaid voluntarily, or as a result of refinancing or foreclosure. A Fund may have to invest the proceeds from prepaid investments in other investments with less attractive terms and yields. As a result, these securities may have less potential for capital appreciation during periods of declining interest rates than other securities of comparable maturities, although they may have a similar risk of decline in market value during periods of rising interest rates. As the prepayment rate generally declines as interest rates rise, an increase in interest rates will likely increase the duration, and thus the volatility, of mortgage-backed and asset-backed securities. In addition to interest rate risk (as described above), investments in mortgage-backed securities composed of subprime mortgages may be subject to a higher degree of credit risk, valuation risk and liquidity risk (as described above). Duration is a measure of the expected life of a fixed income security that is used to determine the sensitivity of the security's price to changes in interest rates. Unlike the maturity of a fixed income security, which measures only the time until final payment is due, duration takes into account the time until all payments of interest and principal on a security are expected to be made, including how these payments are affected by prepayments and by changes in interest rates.

The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets may be limited. Some mortgage-backed and asset backed investments receive only the interest portion or the principal portion of payments on the underlying assets. The yields and values of these investments are extremely sensitive to changes in interest rates and in the rate of principal payments on the underlying assets. Interest portions tend to decrease in value if interest rates decline and rates of repayment (including prepayment) on the underlying mortgages or assets increase; it is possible that a Fund may lose the entire amount of its investment in an interest portion due to a decrease in interest rates. Conversely, principal portions tend to decrease in value if interest rates rise and rates of repayment decrease. Moreover, the market for interest portions and principal portions may be volatile and limited, which may make them difficult for a Fund to buy or sell.

A Fund may gain investment exposure to mortgage-backed and asset-backed investments by entering into agreements with financial institutions to buy the investments at a fixed price at a future date. A Fund may or may not take delivery of the investments at the termination date of such an agreement, but will nonetheless be exposed to changes in the value of the underlying investments during the term of the agreement.

## **29. Initial Public Offerings Risk**

A Fund may invest in initial public offerings, which frequently are smaller companies. Such securities have no trading history, and information about these companies may only be available for limited periods. The prices of securities involved in initial public offerings may be subject to greater price volatility than more established securities.

## **30. Risk Associated with Debt Securities Issued Pursuant to Rule 144A under the Securities Act of 1933**

SEC Rule 144A provides a safe harbour exemption from the registration requirements of the Securities Act of 1933 for resale of restricted securities to qualified institutional buyers, as defined in the rule. The advantage for Investors may be higher returns due to lower administration charges. However, dissemination of secondary market transactions in rule 144A securities is restricted and only available to qualified institutional buyers. This might increase the volatility of the security prices and, in extreme conditions, decrease the liquidity of a particular rule 144A security.

## **31. Emerging and Less Developed Markets Securities Risk**

Investing in emerging markets and less developed markets securities poses risks different from, and/or greater than, risks of investing in the securities of developed countries. These risks include; smaller market-capitalisation of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible repatriation of investment income and capital. In addition, foreign Investors may be required to register the proceeds of sales, and future economic or political crisis could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalisation or the creation of government monopolies.

Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging and less developed countries.

Although many of the emerging and less developed market securities in which a Fund may invest are traded on securities exchanges, they may trade in limited volume and may encounter settlement systems that are less well organised than those of developed markets. Supervisory authorities may also be unable to apply standards that are comparable with those in developed markets. Thus there may be risks that settlement may be delayed and that cash or securities belonging to the relevant Fund may be in jeopardy because of failures of or defects in the systems or because of defects in the administrative operations of counterparties. Such counterparties may lack the substance or financial resources of similar counterparties in a developed market. There may also be a danger that competing claims may arise in respect of securities held by or to be transferred to the Fund and compensation schemes may be non-existent or limited or inadequate to meet the Fund's claims in any of these events.

Equity investments in Russia are currently subject to certain risks with regard to the ownership and custody of securities. This results from the fact that no physical share certificates are issued and ownership of securities is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Depositary), other than by local regulation. No certificates representing shareholdings in Russian companies will be held by the Depositary or any of its local correspondents or in an effective central depository system.

Equity investments in Russia may also be settled using the local depository, the National Settlement Depository ("NSD"). Although NSD is legally recognised as a central securities depository ("CSD"), it is not currently operated as a CSD and may not protect finality of title. Like local custodians, the NSD still has to register the equity positions with the registrar in its own nominee name.

If concerns are raised regarding a specific investor, the whole nominee position in a depository could be frozen for a period of months until the investigation is complete. As a result, there is a risk that an investor could be restricted from trading because of another NSD account holder. At the same time should an underlying registrar be suspended, investors settling through registrars cannot trade, but settlement between two depository accounts can take place. Any discrepancies between a registrar and the NSD records may impact corporate entitlements and potentially settlement activity of underlying clients, which is mitigated by the frequent position reconciliations between the depositories and the registrars.

Securities traded on the Moscow Exchange can be treated as investment in securities dealt in on a Regulated Market.

Additional risks of emerging market securities may include: greater social, economic and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organised and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition taxation of interest and capital gains received by non-residents varies among emerging and less developed markets and, in some cases may be comparatively high. There may also be less well-defined tax laws and procedures and such laws may permit retroactive taxation so that the Fund could in the future become subject to local tax liabilities that had not been anticipated in conducting investment activities or valuing assets.

## **32. Specific Risks Linked to Securities Lending and Repurchase Transactions**

Securities lending and repurchase transactions involve certain risks. There is no assurance that a Fund will achieve the objective for which it entered into a transaction.

Repurchase transactions might expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, the risks of which are described in other sections of this Prospectus. Securities loans may, in the event of a counterparty default or an operational difficulty, be recovered late and only in part, which might restrict a Fund's ability to complete the sale of securities or to meet redemption requests.

A Fund's exposure to its counterparty will be mitigated by the fact that the counterparty will forfeit its collateral if it defaults on the transaction. If the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty's debt to a Fund or to purchase replacements for the securities that were

lent to the counterparty. In the latter case, a Fund's tri-party lending agent will indemnify a Fund against a shortfall of cash available to purchase replacement securities but there is a risk that the indemnity might be insufficient or otherwise unreliable.

In the event that a Fund reinvests cash collateral, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested. There is also a risk that the investment will become illiquid, which would restrict a Fund's ability to recover its securities on loan, which might restrict a Fund's ability to complete the sale of securities or to meet redemption requests.

### **33. Potential Conflicts of Interest**

The Investment Managers and Schroders may effect transactions in which the Investment Managers or Schroders have, directly or indirectly, an interest which may involve a potential conflict with the Investment Managers' duty to the Company.

Employees of Schroders may have personal investment in a fund or account, including in the Company, managed by the Investment Managers which they may add to or redeem from, in whole or in part from time to time depending on their own requirements. The Investment Managers or Schroders may have invested directly or indirectly in the Company.

Neither the Investment Managers nor Schroders shall be liable to account to the Company for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions nor will the Investment Managers' fees, unless otherwise provided, be abated. However, the Investment Managers or Schroders, as the case may be, have a duty to ensure that such transactions are effected on terms which are not less favourable to the Company than if the potential conflict of interests had not existed.

The prospect of the Performance Fee may lead the Investment Managers to make investments that are riskier than would otherwise be the case.

If an Investment Manager is registered with the SEC, additional information regarding conflicts of interest and risks specific to the Investment Manager are described in such Investment Manager's Form ADV, Part 2A, which is available on the Investment Adviser Public Disclosure Website ([www.advisersinfo.sec.gov](http://www.advisersinfo.sec.gov)).

In carrying out its functions, the Depositary shall act honestly, fairly, professionally, independently and solely in the interest of the Company and the Investors of the Company. The Depositary shall not carry out activities with regard to the Company that may create conflicts of interest between the Company, the Investors in the Company, the Management Company and the Depositary unless the Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed to Investors of the Company.

### **34. Investment Funds**

Some of the Funds may invest all or substantially all of their assets in Investment Funds. Unless otherwise disclosed, the investment risks identified in this Appendix will apply whether a Fund invests directly, or indirectly through Investment Funds, in the assets concerned.

The investments of the Funds in Investment Funds may result in an increase of total operating, administration, depositary, management and performance fees/expenses. However the Investment Managers will seek to negotiate a reduction in management fees and any such reduction will be for the sole benefit of the relevant Fund.

### **35. Exchange Rates**

The Reference Currency of each Fund is not necessarily the investment currency of the Fund concerned. Investments are made in investment funds in currencies that, in the view of the Investment Managers, best benefit the performance of the Funds.

Shareholders investing in a Fund having a Reference Currency that is different from their own should be aware that exchange rate fluctuations could cause the value of their investment to diminish or increase.

### **36. Fixed Income Securities**

The value of fixed income securities held by Funds generally will vary upon changes in interest rates and such variation may affect Share prices of Funds investing in fixed income securities.

### 37. Equity Securities

Where a Fund invests in equity or equity-related investments, the values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities.

### 38. Private Equity

Investments which grant an exposure to private equity involve additional risks than those resulting from traditional investments. More specifically, private equity investments may imply exposure to less mature and less liquid companies. The value of financial instruments which grant exposure to private equity may be impacted in a similar manner as direct investments in private equity.

### 39. Commodities

Investments which grant an exposure to commodities involve additional risks than those resulting from traditional investments. More specifically:

- political, military and natural events may influence the production and trading of commodities and, as a consequence, negatively influence financial instruments which grant exposure to commodities;
- terrorism and other criminal activities may have an influence on the availability of commodities and therefore also negatively impact financial instruments which grant exposure to commodities.

The performance of commodities, precious metals and commodity futures also depends on the general supply situation of the respective goods, the demand for them, the expected output, extraction and production as well as the expected demand, and can for this reason be especially volatile.

### 40. Convertible Securities Risk

Convertible securities are typically bonds or preferred stocks that may be converted into a specific number of shares of the issuing company's stock at a specified conversion price.

Convertible securities combine investment characteristics and risks of equities and bonds. Depending on the value of the underlying stock, the convertible security will behave more like a stock or like a bond.

When the price of the underlying stock exceeds the conversion price, the convertible security generally behaves more like a stock and will be more sensitive to changes in equity securities. When the price of the underlying stock is lower than the conversion price, the convertible security generally behaves more like a bond and will be more sensitive to changes in interest rates and in credit spreads.

Given the benefit provided by the potential conversion, convertible securities generally offer lower yields than non-convertible securities of similar quality.

They also can be of lower credit quality and tend to be less liquid than traditional nonconvertible securities. Lower credit quality debt securities are generally subject to greater market, credit and default risk compared to more highly rated securities.

### 41. Sovereign Risk

There is a risk that governments or their agencies may default or not completely fulfil their obligations. In addition, there is no bankruptcy proceeding for sovereign debt securities on which money to pay the obligations of sovereign debt securities may be collected in whole or in part. As a consequence of this holders of sovereign debt securities may be requested to participate in the rescheduling of sovereign debt securities and to extend further loans to the issuers of sovereign debt securities.

### 42. Impact of Fund of Funds Strategies on Tax Efficiency for Shareholders

Post-tax returns to Shareholders are dependent on the local tax rules in the Shareholders' place of tax residence (see section 3.3.5 Taxation for comments on taxation generally).

In certain countries, such as Germany, Austria and the UK, tax rules exist that may lead to larger proportions of the investment return from funds of funds being taxed in the hands of Shareholders at a higher rate than would be the case for single strategy funds.

These tax rules may be activated if the investments selected by the Investment Manager for the funds of funds are regarded as not meeting certain tests laid down by the tax authorities in the Shareholders' country of residence.

If the fund of funds acquires investments which do not qualify as Reporting Funds for German investment tax purposes, German tax resident Shareholders of the fund of funds will be subject to disadvantageous "lump sum" taxation pro rata with the income derived from such non-Reporting Funds.

In the UK, returns from investments that are non-Reporting Funds are treated as being entirely income, and reportable as income by the fund of funds. Thus a greater proportion of the Shareholder's return from the fund of funds is treated as income, rather than capital, and is taxed accordingly at rates that are currently higher than for capital gains.

The Investment Manager of the fund of funds will endeavour to select investments that do qualify as Reporting Funds, in order to minimise the impact of these local tax rules for Shareholders. However, it is possible that such investments are not available to meet certain strategic aims of the Investment Manager, and in that case it may happen that non-Reporting Funds have to be acquired.

The Investment Manager will undertake all necessary reporting as required under local tax rules to enable Shareholders to compute their tax liability in accordance with the rules.

#### **43. Business Dependent Upon Key Individuals**

The success of a Fund is significantly dependent upon the expertise of the key individuals of its Investment Manager and any future unavailability of their services could have an adverse impact on the Fund's performance.

#### **44. Hedging Risk**

A Fund may (directly or indirectly) employ hedging by taking long and short positions in related instruments. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline. Hedging transactions may limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and a Fund may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs.

#### **45. Short Selling Risk**

A Fund may use financial instruments or derivatives to implement physical or synthetic short positions. If the price of the instrument or market which the Fund has taken a short position on increases, then the Fund will incur a loss in relation to the increase in price from the time that the short position was entered into plus any premiums and interest paid to a counterparty. Therefore, taking short positions involves the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment.



# Appendix IV

## Fund Details

The Company is designed to give Investors the flexibility to choose between investment portfolios with differing investment objectives and levels of risk.

The investment objectives and policies described below are binding on the Investment Manager of each Fund, although there can be no assurance that an investment objective will be met.

The specific investment objectives and policies of each of the Funds are subject to the following interpretation: a Fund will invest, in accordance with its name or its investment policy either directly or (if stated) through derivatives in investments corresponding to the applicable currency, security, country, region or industry stated in the investment objective or investment policy.

When a Fund states or uses a similar description that it invests at least two-thirds of its assets in a certain way (i) the percentage is indicative only as, for example, the Investment Manager may adjust the Fund's exposure to certain asset classes in response to adverse market and/or economic conditions and/or expected volatility, when in the Investment Manager's view to do so would be in the best interests of the Fund and its shareholders; and (ii) such assets exclude cash or other liquidities which are not used as backup for derivatives unless otherwise stated. When a Fund states that it invests up to a maximum percentage of its assets (e.g. 80%) in a certain way, such assets include cash or other liquidities which are not used as backup for derivatives.

The remaining percentage of the Fund's assets (excluding liquidities which are not used as backup for derivatives) may be invested in other currencies, securities, countries, regions or industries, either directly or through derivatives or as otherwise stated.

If a Fund makes reference to a region or country, this means that it will invest or gain exposure to companies headquartered, incorporated, listed or having their principal business activity in that region or country.

### Use of derivatives

Each Fund may employ derivatives, long and short, with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently, in accordance with its investment policy and specific risk considerations as disclosed below. Such derivatives include, but are not limited to, over-the-counter and/or exchange traded options, futures, warrants, swaps, forward contracts and/or a combination of the above. A significant proportion of each Fund's long positions will be sufficiently liquid to cover at all times each Fund's obligations arising from its short positions.

The Funds bearing an asterisk (\*) next to their name are not available for subscription at the time of issue of this Prospectus. Such Funds will be launched at the Directors' discretion, and this Prospectus will be updated accordingly.

These Share Classes, where available, may also be offered in other currencies (the "Reference Currency"). Where offered in a currency other than the base currency of the Fund (the "Fund Currency"), a Share Class will be designated as such.

In respect of such additional Share Classes, the Management Company has the ability to hedge the Shares of such Share Classes in relation to the Fund Currency. In this instance currency exposures or currency hedging transactions within the Fund's portfolio will not be considered. The Management Company will review hedged positions at every valuation point to ensure that (i) over-hedged positions do not exceed 105% of the Net Asset Value of the hedged Classes and (ii) under-hedged positions do not fall short of 95% of the portion of the Net Asset Value of the hedged Classes which is to be hedged against the currency risk. An up-to-date list of the Classes with a contagion risk is available upon request at the registered office of the Company. Where hedging of this kind is undertaken, the Management Company may engage, for the exclusive account of such Share Class, in currency forward, currency futures, currency option transactions and currency swaps in order to preserve the value of the Reference Currency against the Fund Currency.

The performance of hedged share classes aims to be similar to the performance of equivalent Share Classes in Fund Currency. There is no assurance however that the hedging strategies employed will be effective in delivering performance differentials that are reflective only of interest rate differences adjusted for fees.

Where undertaken, the effects of this hedging will be reflected in the Net Asset Value per Share and, therefore, in the performance of such additional Share Class. Similarly, any expenses arising from such hedging transactions will be borne by the Share Class in relation to which they have been incurred. Collateral received in connection with currency hedging transactions (and in particular currency forward transactions) on behalf of currency hedged Share Classes, may be reinvested, in compliance with the applicable investment policy and restrictions of the Funds.

It should be noted that these hedging transactions may be entered into whether the Reference Currency is declining or increasing in value relative to the relevant Fund Currency and so, where such hedging is undertaken it may substantially protect Investors in the relevant Share Class against a decrease in the value of the Fund Currency relative to the Reference Currency, but it may also preclude Investors from benefiting from an increase in the value of the Fund Currency.

In addition the Investment Manager may hedge the Reference Currency against the currencies in which the underlying assets of the Fund are denominated, using the instruments mentioned above.

There can be no assurance that the currency hedging employed will fully eliminate the currency exposure to the Fund Currency.

The details of each Fund are listed below.

Words and expressions defined in the Prospectus will, unless otherwise defined in this Appendix (under the specific description of each Fund), have the same meaning when used in this Appendix.

## Category 1 – Externally Managed Funds

### Schroder GAIA II NGA Turnaround

#### Investment Objective

The Fund aims to provide capital growth through investment in companies which are distressed or in a turnaround situation. The Fund invests in companies worldwide, however at least two thirds of the Fund will be invested in North America.

#### How the Investment Manager will seek to achieve this

The investment policy of the Fund is set out below.

The Fund will seek long and short exposure through a combination of investing in bonds, equity, equity related securities and related derivative instruments concentrating on maximising returns from companies that are undergoing corporate restructuring or are in turnaround situations. The Fund aims to be diversified, by issuer and industry, by level in the capital structure and by stage in the restructuring process. The full spectrum of available transferrable securities, including less liquid, low or unrated securities and distressed debt instruments, may be used. Investments will be made directly or indirectly through financial derivative instruments.

The Fund may employ financial derivative instruments for investment purposes or for the purposes of seeking to reduce risk. These include OTC and/or exchange traded options, warrants, futures, credit default swaps, total return swaps and/or a combination of the above. Where the Fund uses total return swaps, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and investment policy. As stated in Appendix I, the Fund may take physical short positions in transferable securities which may represent up to 50% of the Fund's Net Asset Value. The Fund may also take synthetic short positions but will normally be net long when long and short positions are combined.

At all times prudent levels of cash or cash equivalent liquidity will be maintained, which may be substantial or even represent (exceptionally) 100% of the Fund's assets. The Fund may invest up to 10% into open ended Investment Funds. The Fund will not invest in asset-backed securities or mortgage-backed securities.

The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in, as described in section 2.3.

#### Further Information regarding Investment Restrictions

The Fund will comply with the additional investment restrictions in Appendix II, except for 2(C) and 2(E).

#### ***As of 2 October 2017, the Investment Objective and Policy will change to:***

#### Investment Objective

The Fund aims to provide capital growth by investing worldwide in fixed and floating rate securities and equity and equity related securities of companies which are distressed or in a turnaround situation.

#### Investment Policy

The Fund invests at least two thirds of its assets (excluding cash and money market instruments) in fixed and floating rate securities and equity and equity related securities of North American companies. The Fund may also invest these assets worldwide. The Fund seeks long and short exposure by investing in fixed and floating rate securities, equity and equity related securities and related derivatives and concentrates on maximising returns from companies which are distressed or in turnaround situations. Up to 50% of these assets may comprise physical short positions. The Fund aims to be diversified, by issuer and industry, by level in the capital structure and by stage in the restructuring process.

The full spectrum of available transferrable securities may be used, including less liquid, low or unrated securities, distressed debt securities, in defaulted securities or in sub-investment grade securities (being securities with a credit rating below investment as measured by Standard & Poor's or any equivalent grade of other credit rating agencies). The Fund may not invest in asset-backed securities or mortgage-backed securities.

Investments will be made directly (through physical holdings) and/or indirectly (through derivatives). Where the Fund uses total return swaps and contracts for difference, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and Investment Policy. In particular, total return swaps and contracts for difference may be used to gain long and short exposure or to hedge exposure on fixed and floating rate securities and equity and equity related securities. The gross exposure of total return swaps and contracts for difference will not exceed 125% and is expected to remain within the range of 0% to 50% of the Net Asset Value. In certain circumstances this proportion may be higher.

The Fund will normally be net long when long and short positions are combined.

The Fund may invest up to 20% of its assets in equity and equity related securities, fixed and floating rate securities or money market instruments that are unlisted or that are dealt on an unregulated market.

The Fund may invest in money market instruments and hold cash. The Fund may exceptionally hold up to 100% of its assets in cash. The Fund may invest up to 10% into open ended Investment Funds. As the Fund is index-unconstrained it is managed without reference to an index.

The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in, as described in section 2.3.

#### Further Information regarding Investment Restrictions

The Fund will comply with the additional investment restrictions in Appendix II, except for 1(A)(9), 2(C) and 2(E).

The Fund may invest a maximum of 20% of its assets in equity and equity related securities, fixed and floating rate securities or money market instruments other than those referred to in 1(A)(1) to 1(A)(4) and 1(A)(8) in Appendix II.

#### Fund Characteristics

Fund Currency	USD
Investment Manager	New Generation Advisors LLC  New Generation Advisors LLC is a company incorporated in Massachusetts (USA) and was formed on 6 November 2007. On 30 June 2008 it succeeded to the investment advisory business of New Generation Advisers, Inc. New Generation Advisers, Inc. was incorporated on 8 August 1988, and it began offering investment management services in 1990. New Generation Advisors LLC is regulated by the Securities and Exchange Commission (USA) pursuant to the U.S. Investment Advisers Act of 1940.
Dealing Cut-off Time <sup>1</sup>	13.00 Luxembourg time five Business Days preceding a Dealing Day
Dealing Frequency / Dealing Day	Fortnightly, on every second Wednesday or the next Business Day if a Wednesday is not a Business Day <sup>1</sup>
Calculation Day	Each Business Day. The Net Asset Value per Share is calculated for the previous Business Day.
Availability of Net Asset Value per Share	The Net Asset Value per Share will be available on each Calculation Day. Shareholders' attention is drawn to the fact that subscription, redemption and switch orders will only be handled on the basis of the Net Asset Value per Share calculated for Dealing Days. The Net Asset Value per Share calculated for non-Dealing Days is made available for reporting and fee purposes only.
Settlement Period of Subscription and Redemption Proceeds <sup>2</sup>	Within three Business Days from the relevant Dealing Day

<sup>1</sup> Instructions accepted by the Management Company after the Dealing Cut-off Time for a Dealing Day will normally be executed on the next following Dealing Day, unless waived by the Management Company and provided that Shareholders are treated equitably.

<sup>2</sup> Different subscription and redemption procedures may apply if applications are made through Distributors.

Specific Risk Considerations <sup>3</sup>	<p>The use of derivatives for investment purposes may increase the Share price volatility, which may result in higher losses for the Investor.</p> <p>Investments in companies that are undergoing corporate restructuring or in turnaround situations can be difficult to sell quickly, which may affect the value of the Fund and, in extreme market conditions, its ability to meet redemption requests upon demand.</p> <p>Distressed debt securities are those issued by companies which are being reorganised, liquidated or undergoing other difficult circumstances. The value of investments in distressed debt can vary significantly as it is dependent on future circumstances of the issuer, which are unknown when the investment is made. These factors will affect the value of the Fund.</p> <p>The Fund may engage in physical short sales, which are effected by selling a security that the Fund does not own. The risk of short sales is that the price of acquiring the security for delivery may be higher than the price at which the security was sold. Short sales run the risk of losing an amount greater than the initial investment.</p> <p>Long and short exposure gained through equity and bond total return swaps may increase the exposure to equity and credit related risks.</p>
Profile of the Typical Investor	<p>The Fund may be suitable for Investors with a longer term investment horizon and who are more concerned with long-term returns than short-term losses. The Investor has a risk tolerance and assets high enough to absorb potential losses associated with the uncertain outcome of corporate restructuring or turnaround situations.</p> <p>The Fund is not intended for retail Investors; it is intended for institutional Investors, Investors who are advised by a professional investment adviser and sophisticated Investors. A sophisticated Investor means an Investor who:</p> <ul style="list-style-type: none"> <li>a) understands the Fund's strategy, characteristics and risks in order to make an informed investment decision; and</li> <li>b) has knowledge of, and investment experience in, financial products that use complex derivatives and/or derivative strategies (such as this Fund) and financial markets generally.</li> </ul>
Performance Fee	20% (15% for E Share Class) (the multiplier) of the outperformance over the BBA Libor USD 3 Month Act 360 benchmark subject to a High Water Mark, as per the methodology in section 3.2(A).

### Circumstances in which the Fund may use Leverage and Types and Sources of Leverage permitted

Derivatives could be employed to generate additional exposure and leverage.

### Maximum Level of Leverage

Leverage Ratio	Exposure Calculation Methodology
'Gross leverage ratio'	1.8
'Commitment leverage ratio'	1.8

<sup>3</sup> For full details of the risks applicable to investing in this Fund, please refer to Appendix III, "Risks of Investment".

**Share Class Features**

<b>Share Classes</b>	<b>A</b>	<b>C</b>	<b>E</b>	<b>I</b>
Minimum Initial Subscription	USD 25,000	USD 500,000	USD 500,000	USD 5,000,000
Minimum Additional Subscription	USD 12,500	USD 250,000	USD 250,000	USD 2,500,000
Minimum Holding	USD 25,000	USD 500,000	USD 500,000	USD 5,000,000
Initial Charge <sup>4</sup>	Up to 3%	Up to 1%	Up to 1%	None
Investment Management Fee <sup>5</sup>	2.00%	1.25%	1.00%	None
Distribution Fee <sup>5</sup>	None	None	None	None
Participation to the Investment Manager's legal research and consultancy expenses <sup>5</sup>	Up to 0.10%	Up to 0.10%	Up to 0.10%	Up to 0.10%
Performance Fee	Yes	Yes	Yes	None

<sup>4</sup> Percentages are stated with reference to the total subscription amount, which represents for A Share 3.09278%, and C and E Shares 1.0101% of the Net Asset Value per Share.

<sup>5</sup> Percentages are stated with reference to the Net Asset Value of the Fund or the Net Asset Value per Share, as may be appropriate.

# Appendix V

## Other information

- (A) A list of all Funds and Share Classes may be obtained, free of charge and upon request, from the registered office of the Company and is also available on the Internet site [www.schroders.lu](http://www.schroders.lu).
- (B) MSCI disclaimer (Source: MSCI): The information obtained from MSCI and other data providers, included in this Prospectus, may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used to create any financial instruments or products or any indices. The MSCI information and that of other data providers is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling or creating any MSCI information (collectively, the "MSCI Parties") and other data providers, expressly disclaim all warranties (including, without limitation any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party or other data provider have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

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